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EDITORIAL

As We See It

The so-called Fulbright "study" of the stock market and its recent behavior is underway. Senator Fulbright and his associates have assumed a serious responsibility in this undertaking. If they permit the proceedings to become a sounding board for discontents and others seeking to garner votes by attacking Wall Street, or if they themselves go off the track, as it were, and become dramatic about matters which are really not germane to the matter in hand, very serious damage could be done. Theirs is also a real opportunity for service to the country. In some instances, buyers have indulged in excesses in speculating in certain popular issues. What else, if anything, has taken place which one could reasonably regret, we shall not undertake to say, but the real opportunity before the Fulbright group lies elsewhere.

More than anything else the behavior of the stock market during the past 12 or 15 months has been a reflection of public policy and public programs in Washington. Some of the activity in this market has represented a delayed reaction to policies of the past, which could not, or at all events did not, have their full normal effects at an earlier date because general conditions were not favorable or because other governmental policies, programs or attitudes were sufficient to prevent it. Part of the ebullience of the past year or a little more may be taken as a reaction to government policy and attitudes current within that period. If the Fulbright Committee fails to give at least as much attention to these factors as it does to any factors originating in the financial community which it may find unfortunate, it will

Continued on page 42

A Defense of the Housing Act of 1954 and the FHA

By GEORGE C. JOHNSON*
President, The Dime Savings Bank of Brooklyn, Brooklyn, N. Y.

Prominent savings bank executive, in commenting on the growing opposition to the mortgage terms provided for FHA-insured mortgages in the Housing Act of 1954, presents arguments and data why the Act should stand as it is. Says though mortgage lending money is on more liberal basis than in past, the loans are sound, and the low down payment has been greatest single factor in putting homes within reach of families in every income bracket. Denies we are confronted with over-production of houses, and concludes the nation's present home mortgage debt of $75 billion is not too high.

I especially like the subject which was assigned to me: "Problems Facing the Builder." The reason I like the subject is because every time a builder has a problem, the mortgage lender has that problem, too. Sometimes, the problem is not quite so acute from the lender's standpoint as it is from that of the builder, but the lender is affected by the problem to at least some degree. So is the realtor, and so is everybody else who is connected with the business of supplying homes for the American people.

That is why it is so essential that we all become and remain aware of each other's problems — and all work together to find solutions for them.

Mr. Zummo has summed up most of the builder's problems from the standpoint of his own industry. Everyone of them is serious to a greater or less degree.

But there is one problem Mr. Zummo did not mention. He told me builders are acutely aware of it,

Continued on page 42

*A statement prepared by Mr. Johnson for a panel discussion at the Conference of Group V of the Savings Banks Association, Brooklyn, N. Y., Feb. 25, 1955.

Growing Companies in Growing Industries

By JULIUS GRODINSKY*
Wharton School of Finance and Commerce
University of Pennsylvania

After defining growing industries as "those whose production of goods and services expand more rapidly than population and national income," Dr. Grodinsky lists as phases in the field of growing industries and their relationship to investment values: (1) an increasing percentage of dominant companies in the industry, and (2) a greater degree of price instability, accompanied frequently by price wars, and physical expansion. Points out the persistent rise in values of stocks of dominant companies in growing industries, and lists its causes. Warns of effects on sales and earnings of price wars by dominant companies.

Increase in the physical output of goods and services is the basis for the rise in the standard of living. Physical expansion is based upon investment in capital goods. And capital goods are used to turn out the increasing volume of consumers goods and consumers services. The investor's dollar is essential to the smooth functioning of this production-distribution mechanism. And an extremely large percentage of the capital investment is accomplished by the growing industries.

Julius Grodinsky

The growing industries are those whose production of goods or services expand more rapidly, or at least as rapidly, as the population, the national income, the national product, or some other comparable economic time series. As the population and the standard of living increase, the demands upon the growing industry expand porportionately, indeed in a large number of growing industries, more than proportionately. This phenome-

Continued on page 38

*An address by Dr. Grodinsky before the Investment Analysts Society of Chicago, Chicago, Ill., Feb. 24, 1955.

PICTURES IN THIS ISSUE—Candid shots taken at the Annual Mid-Winter Dinner of the INVESTMENT TRADERS ASSOCIATION OF PHILADELPHIA appear in the Pictorial Section starting on page 25.

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(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

This Week's Forum Participants and Their Selections

New York Capital Fund of Canada, Ltd. — Armand G. Erpf, Partner, Carl M. Loeb, Rhoades & Co., New York City. (Page 2)

Textron American Inc. 5% Debentures of 1970 — Max L. Heine, Partner, Spingarn, Heine & Co., New York City. (Page 2)

ARMAND G. ERPF

Partner, Carl M. Loeb, Rhoades & Co., New York City

New York Capital Fund of Canada, Ltd.

With American securities becoming fully priced, and likely to remain so in view of the increasing stability and gradual growth of the economy, it is only natural to look to other fields for investment and speculation. If the blue chips representing the great companies of the country are selling at 15 to 25 times earnings, should a portion of the investor's funds go into the secondary companies? Into the marginal companies? Into new industries and untried ventures? Or should it seek opportunities beyond the frontiers? The interest in Canadian investment trusts and in worldwide companies such as Royal Dutch, Unilever, and Philips Lamps, shows that there is a disposition on the part of the American investor to allocate a moderate percentage of his resources abroad.


Armand G. Erpf

There are problems in making investments outside of the country. The nomenclature and accounting are different. The economic frame of reference is not the same. Rights and new issues, if not registered here, are from a practical point of view not available for the American investor. Execution of orders, delivery of securities, exchange rates, and other technical matters must be expertly handled. Where there are high yields because of prevailing high interest rates, it is of little avail to an American investor who quickly gets into a steep bracket of income taxes. Hence, the practical solution, if one wishes to venture funds abroad to benefit from growth in certain areas, to take advantage of economic developments affecting specific industries, or where there are interesting compaines operating in foreign lands seems to be an investment trust which is registered outside the United States. Such funds have professional supervision; they can subscribe to securities not registered in the United States; their income is lightly taxed and they are not subject to capital gains so that mobility is practical and income is translated into capital gains.

For this purpose the nonresident-owned Canadian funds have been organized and have had a quick response from American investors over the past year. The tax advantages to us through such trusts became effective only after April 27, 1954, when the U. S. Government permitted the sale of such Canadian funds to investors in this country. Hence, we have opened a new phase of investment trust organization and operation, perhaps in a way comparable to what has taken place over the previous quarter century in pooling the savings of the public for investment in domestic corporations.

I naturally favor in this field the New York Capital Fund of Canada, Ltd. I consider it a desirable vehicle because of three features:

(1) The primary emphasis of the Fund is Canada, but it may invest up to one-third of its resources outside of Canada and the United States.

(2) The Fund is of the non-diversified type to give it maximum flexibility in allocating investments to specially appealing segments of the Canadian or foreign economies without rigid restrictions as to the percentages which can be placed in individual situations or industries.

(3) Because it is a non-resident-owned investment company incorporated in Canada, the Fund is not subject to capital gains tax on investment transactions and its income from interest and dividends is subject to a maximum tax of 15%.

It seems to me that a non-diversified fund abroad makes much more sense than a diversified fund since an American investor owning a foreign investment trust presumable has resources of his own in the United States solidly placed or adequately diversified. Hence, there is little reason for him to seek abroad a diversification which he has here and which because of the developing nature of new and rising economies may not be appropriate since the investment opportunities may not be at all analogous to what we find in this country with its highly evolved corporate and capitalistic structure. Abroad one should concentrate on things which may not be of as great significance in a domestic diversified portfolio. For example, a high yield without undue risk which is attractive because the high yield can be translated into a capital gain since taxes are absent or very light. In general in foreign economies one should select and emphasize the strong portions of those economies for commitment and appreciation rather than waste the money in futile minor facets to achieve a diversified cross-section.

The New York Capital Fund of Canada, Ltd. now has about $25 million of assets with 60% in equities, invested in 13 industries and some 45 companies primarily in Canada but also in Europe, South Africa, Latin America, and the Philippines, and 15% in hard-working foreign government and corporate obligations, with the balance in Canadian bonds.

The Fund pays no dividends to take full advantage of its favorable tax position and to strive for long-term capital appreciation through accumulation of lightly taxed income and untaxed capital gains on investment transactions. Its gross income before expenses and taxes is at a rate of $1,000,000 per annum. It is of interest not only to persons in high tax brackets but also to others who wish to accumulate caiptal rather than to obtain current spendable income.

The accumulation of capital is again taking place abroad. In foreign countries the supply of money is coming under control, budgets are being balanced, and production and prosperity are rising. Security prices are moving up and the low multiples in many instances are being equated to the improving conditions.

In Canada the rate of development has been at a faster pace than here. Since 1946 the population has risen 21% compared with 16% in the United States, an average annual growth of 2.4% compared with 1.7% in the United States. Its Gross National product, now $24 bililon, has incerased 100% compared with 70% in the United States. A stable political system and vast natural resources undergoing exploitation on a sound basis and on a grand scale, offer great promise for its leading corporations in their respective spheres.

My conclusion therefore is that a moderate percentage of resources invested abroad will bear good fruit, and the New York Capital Fund of Canada, Ltd. offers the combination of emphasis on Canada but participation in growing economies elsewhere as well, and the provision and will to take advantage of a favorable opportunity and make money when the occasion is available.

MAX L. HEINE

Partner, Spingarn, Heine & Co. New York City
Members of New York Stock Exchange

Textron American Inc. 5% Debentures of 1970

On March 1, 1955 the merger of three old established names known to the investing public created a new giant in the textile field, Textron American Inc. The new company has a diversified operation in major lines of the textile field and in non-textile operations such as: padding and upholstery filling, the manufacture of radar antennas, aircraft engine mounts, vibration testing equipment and vibration insulators.


Max L. Heine

The non-textile subsidiaries of Textron have recently been producing a gradually increasing part of Textron's profits. Most textile lines are reported in a business upswing. The proxy statement promises substantial economies in operations as a result of the merger.

It appears that Textron American will have an excellent opportunity to embark on an indefinite period of financial stability. The company is starting out not only with a profit in operations but with the additional advantage of a loss carryover that will permit tax-free operations for quite a while to come and result in generation of cash at almost twice the speed as normally possible. Yet the past history of financial losses is too recent not to show in the price level of the securities.

An outstandingly attractive security appears to be the new Textron American 5% debentures of 1970. This issue will be outstanding to the amount of $21,400,000. It will be subject to a sinking fund of 8% in the first year and 6% thereafter to retire the entire issue by maturity. The interest on these debentures will be payable unconditionally and not be subject to earnings. They

Continued on page 5

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Major Factors in the Investment Outlook for 1955

By ROY L. REIERSON
Vice-President and Economist
Bankers Trust Company, New York

Dr. Reierson, after examining the investment environment in 1954, pictures the investment outlook for 1955 as being influenced both by heavy demands for long-term investment funds, accompanied by large amounts of such funds held by savings institutions. Sees commercial banks still providing support to the investment markets, but on a smaller scale than in 1954. Holds, as was the case last year, credit and debt management policies will play an important role in determining the environment in investment markets in 1955.

Roy L. Reierson

Our explorations into the outlook for investment demands, flows of savings and investment policies are part of an effort to appraise the investment environment in prospect for 1955. The objective is to express, in quantitative terms, the demand and supply pressures likely to be operating in crucial sectors of the long-term investment market. Availability of data has been the major consideration in determining the particular breakdowns of demand and supply for which separate estimates are attempted. We believe the analysis provides reasonably adequate coverage of the major demand and supply factors that have an important, but not necessarily determining, influence upon the course of long-term interest rates. If the statistical data were more detailed, comprehensive and accurate, the record of the past would be more reliable and, consequently, more meaningful. The task of appraising the outlook in the investment markets, like any effort at economic evaluation and forecast, would still remain a formidable undertaking.

Investment Environment in 1954

In appraising the outlook for the long-term credit markets, one important factor to keep in mind is that the postwar investment boom is still continuing with unabated strength. In the aggregate, the long-term financing requirements of business corporations, owners of real estate and state and local governments have increased every year since 1949. The modest letdown in the rate of economic activity in 1954 was not reflected in lower demands for investment funds; on the contrary, aggregate net requirements of these users of long-term funds increased by close to $2½ billion, or more than 10%, from 1953 to 1954. The net amount of long-term funds raised by business corporations was somewhat smaller last year, but this reduction was more than balanced by record increases in outstanding mortgage and state and local government debt. A partial offset to these larger requirements for long-term funds was the fact that in 1954 the Treasury made no offering of long-term bonds, whereas in 1953 it sold about $1.2 billion of 30-year bonds for cash and issued an additional $400 million in exchange for maturing F and G bonds. Even allowing for this difference in debt management practices, however, total demands for long-term investment funds were larger in 1954 than in the preceding year.

These increased requirements were met in 1954 without any significant upward pressure on long-term interest rates. Bond yields declined in the early months of last year and were relatively stable thereafter, until the closing months of the year, when yields, especially on government bonds, increased moderately. Long-term investment funds were available throughout 1954 at a relatively low cost; this cost did not rise appreciably during the year in spite of the larger requirements for investment funds; important investing institutions displayed a readiness not only to make long-term funds available currently, but also to enter into large future commitments.

One factor that enabled the larger requirements for funds to be met in 1954 without an appreciable firming of long-term interest rates was the fairly important increase in the volume of funds accruing to the major savings institutions. The funds available to life insurance companies, mutual savings banks, savings and loan associations, trusteed pension funds, and state and local government retirement funds, and the time deposits of commercial banks, all showed a larger growth than in 1953, and the aggregate amount of the increase reached record proportions last year.

Another factor that permitted the larger investment requirements to be met without a significant rise in bond yields, was the large amount of support provided to the investment markets in 1954 by the commercial banks. This support took a variety of forms. The commercial banks increased their holdings of government securities by some $6 billion; in addition, the commercial banks lengthened their government portfolios significantly last year. This buying by the banking system helped institutional investors to lighten their holdings of government obligations; life insurance companies and mutual savings banks reduced their holdings by about $1.4 billion, making an

Continued on page 48

INDEX

Articles and News Page

Regular Features

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Observations . . .

By A. WILFRED MAY

A LOOK AT TAX-EXEMPT SECURITIES

The device of the Tax-Exempt security, whose use is steadily growing as to both volume and scope of the use of the funds, surely warrants a thorough-going analysis.

A. Wilfred May

This is now available in a new full-length study just coming to hand, *The Ownership of Tax-Exempt Securities, 1913-1953* by George E. Lent, and released by the National Bureau of Economic Research.

The study embarks on the double objective of analyzing trends in the volume and ownership of state and municipal bonds, and thereby guiding intelligent governmental policy and tax policies; as well as throwing light on the individual investor's decisions. Dr. Lent also embodies a full case study of various interesting and unexpected ways in which changes in Federal income tax provisions affect competition with the private securities market.

Dr. Lent initiated his study as a Carnegie Corporation Research Associate at the National Bureau on leave from the University of North Carolina. He is now a staff member of the U. S. Treasury Department.

The gross amount of tax-free securities rose from $4.5 billion in 1913 to a peak of $36.6 billion in 1936, when certain Federal as well as farm loan and state and municipal securities were wholly exempt from tax. After declining thence to a low point of about $16 billion in 1946, it has increased to over $32 billion. These securities now consist almost entirely of state and local obligations because the Federal Government ceased issuing tax-exempt issues in 1941. Since the end of World War II the volume of these state and local obligations has doubled and is still rising.

Comparative Investment Advantages

Interesting to the investment planner is Dr. Lent's detailed comparison of average yields on common stocks, taxable corporate bonds, and tax-exempt securities, and his computation of the actual value of tax-exempt investment for various income groups.

Relating high-grade tax-free municipal securities to taxable corporation bonds of similar maturity, the Study shows that during most of the period from 1932 to 1941 the net-after-tax yield was equalized for married persons with incomes of about $25,000. During the following War years the high initial surtax rates reduced the "critical income" to considerably less than the $25,000. Postwar, the income-splitting provision materially reduced the tax-exemption bonus to married persons, with the choice of married persons with an income below $30,000 still being slanted toward corporation bonds rather than tax-exempt issues. But with the renewed upping of taxes in conjunction with Defense activities after 1950, the value of the tax-free yield of tax-exempt securities has again become enhanced.

In the determination of investing policy vis-a-vis common stock holdings, the Study shows the counteraction between changing stock and tax-free bond yields. The very low stock prices of the post-1932 Depression period enabled those investors with incomes up to about $60,000 to realize as high a rate of return after income tax on the purchase of common stocks as on municipal bonds. After 1934 the greater yield differential between municipal bond and stock yields increased the relative attraction of equities despite even the greatly raised surtax rates. From 1936-39 persons with taxable incomes up to the $60,000-$80,000 category could have advantageously transferred to common stocks; by 1940 the differential widened further with common stocks being attractive even to those in the $200,000-$300,000 income class.

Then changes in the wartime level of tax rates again lowered the "critical" income level for equalizing the comparative yields. Additionally, while the yield on municipals was falling to the lowest levels in history, the yields on common stocks also fell drastically. As a consequence stock offered practically no comparative advantage for those who were in the income brackets above the $45,000-$60,000 range.

After the War, because of the income-splitting privilege, together with higher stock yields, the balance again returned to favoring common stocks. Thus, in 1948 and 1949, married persons with incomes of $100,000 and even more could realize as much after taxes on common-stock dividends as they could on tax-free bonds.

But post-Korea tax increases again reduced the "critical level" this time to the $50,000 income level.

Thus, we see that over the years the investor's policy toward tax-exempts must be fluid, with the choice of media, apart from other elements in the situation, dependent on changes in their respective gross yields and in income tax rates.

Who Owns the Tax-Exempts?

Individuals now own 44% of the $32 billion total of tax-free issues, in marked contrast to the early 1930's when individual holdings reached a full two-thirds of the total. The individual's principal competitor, the commercial banks, hold about 40% of all tax-free securities, against only 15% in 1932.

Despite progressivized income taxation, the individual holdings are still strongly concentrated among the highest income groups—the upper 1% group holding two-thirds of all individual investment in municipal securities.

Reflecting the income tax impact, the highest income group (that is, estates over $10 million) has doubled the percentage of its total holdings invested in tax-exempt securities since the 1920's. This shift has not been at the expense of stock holdings, but from other fixed-interest media.

Another interesting finding is that ever since the First World War commercial banks have remained the largest single institutional market for state and municipal obligations.

But the attitude of the life insurance companies, on whom the tax incidence is very low, is particularly significant. For despite the unimportance of the tax-saving motive, their holdings of these securities have doubled during the past five years—due largely to their interest in revenue bonds, and the increasingly availability of this type of issue. In other words, these institutions have been willing to buy this type of tax exempt issue on its investment rather than tax-saving merits—a somewhat surprising situation in view of the comparatively inferior quality and the great broadening of the uses of this money-raising device (even for fair-ground projects in Florida).

The continuing trend in this area is evidenced in the Dec. 31, 1954 statements of the leading fire and casualty companies just coming to hand, which list substantial holdings of revenue bonds of all types and descriptions.

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The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

A considerable upturn occurred in total industrial output for the country-at-large in the period ended on Wednesday of last week. It was about 6% higher than in the similar week of 1954.

As in the past nine weeks, steel production rose with capacity placed at 90.8% in the latest week. This week scheduled ouput is set at 90.0% of capacity.

The recent rise in ingot output has stimulated the demand for rolling mill equipment and led to increased operations in the coal industry. Blast furnaces of steel plants used approximately 25% more coal the past week than in the same period a year ago. The current outlook is for high production of steel to continue into the third quarter of the year.

More passenger cars and trucks were turned out a week ago than in any period in the past year. Heavy construction contract awards also climbed rising 61% above the level of the preceding week and 38% above the like week a year ago.

Mounting pressure for delivery is pushing steel producers against the wall, says "The Iron Age," national metalworking weekly this week. Some mills are lagging behind on delivery promises. Backlogs are building up and production, processing, and shipping facilities are being strained to the utmost.

With the ingot rate already pushing toward capacity, seasonal market influences are increasing the pressure. Marginal production and finishing facilities are being pressed into service.

Mills this week were operating at 91% of capacity, a short skip and a jump from an expected 95-96%. Tonnage produced will be only 6% below the all-time weekly tonnage of 2,324,000 tons established during the week of March 23, 1953.

There seems to be no prospect of a let-up in demand through first half. Many producers and consumers are changing their thinking over the outlook for the third quarter. Even if automotive sluffs off as some expect, the momentum of other markets is likely to carry over into third quarter. Additional last half support will come from inventory-building, continues this trade authority.

Steel consumers, it adds, are becoming more anxious and more insistent upon prompt delivery. Most of them are confronted with a dual problem: Keeping their own production lines going and trying to rebuild their inventories.

The feverish pace of the steel market reflects a steady improvement in demand for virtually all products since the turn of the year. In addition, the pickup in the last several weeks has been overwhelming.

If the buildup continues, warehouses, already showing a definite though spotty improvement, may expect a sharp increase in business. A mild gray market may also be in the works as consumers are forced to buy emergency tonnages from other-than-mill sources at premium prices. Scattered deals of this sort have been made, this trade journal notes.

Producers are receiving inquiries for possible conversion steel. A few such deals may be in the making, it concludes.

Automotive production in the United States was placed at 168,080 cars and 14,928 trucks last week, "Ward's Automotive Reports" stated.

This compares with 173,432 cars and 14,953 trucks built in the preceding week, the decline reflecting a slight letdown at Chevrolet, easing of overtime in some factories and a supply shortage at Plymouth.

In the comparable 1954 week United States plants built 113,041 cars and 21,574 trucks.

The agency put February output at 674,000 against 659,719 in January which had one additional work day. In February, it added, Chrysler again took 19% of the industry assemblies; General Motors 49% and Ford 26%.

Steel Output Scheduled This Week to Show a Fractional Decline Below Previous Week

The auto industry is being overrated as a key to this year's steel demand and supply, says "Steel," the weekly magazine of metalworking the current week.

The auto industry is important and is the largest consumer

Continued on page 45

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Making Tracks in the Market

By IRA U. COBLEIGH

Enterprise Economist

A current appraisal of a distinguished enterprise dedicated to making tractors and earth movers, whose traditional application of power picks up where wheels leave off—Caterpillar Tractor Company.

Historians delight in marking man's advance by noting technical milestones such as the employment of fire, and the invention of the wheel. Less well marked among them, however, is the date sometime way back in 1905, when the Holt Manufacturing Co. came forth with its now famous "Caterpillar" vehicle, capable not only of progressing over the most inhospitable terrains such as rocks, mud, mire or swamp; but powerful enough to plow soil, pull, push or drag loads or implements forward or aft. And of course the tank, key strategic weapon of World War I, moved us on to Victory on caterpillar type treads.

Ira U. Cobleigh

Some variations or innovations in our schemes of traction or transport just never managed to make the grade in our world—the zeppelin or monorail for example. Others catch on at once, and move ahead both by the logic of their technical advantages and, quite as important, by the sustained managerial competence of the enterprises dedicated to manufacturing and sales promotion. Among companies which have definitely made good with an advance traction technique, we must certainly list Caterpillar Tractor Company—unique in its field and a distinguished industrial equity with a 30-year dividend record, and an active market on the New York Stock Exchange.

Brought into being in 1925 as a merger of the C. L. Best Tractor Company (organized in 1910) and the Holt Manufacturing Company (incorporated in 1905), Caterpillar Tractor Company has pioneered and led in equipment to move earth, and the so-called crawler type of tractor. Versatile units, these "Caterpillars" have played and are playing a vital part in many industries — public utilities, farming, road and building construction, lumber, mineral mining, oil, and military constructions such as air strips or field bases.

Not only has Caterpillar excelled in its own special type of traction tread, but it pioneered in the use of diesel power, and today stays up ahead in its field by virtue of spending around $6.5 million a year on research. In addition to continuous revision and improvement on its standard lines, crawler and wheel type tractors, motor graders and earth movers, it has researched its D9X, the biggest, most power-packed crawling tractor anywhere, which should hit the production line some time this year.

Caterpillar has a solid and effective sales and distribution system—a far cry from the bootleg selling which has cropped out here and there in the motor car trades. Caterpillar has some dedicated dealers — 125 of them in Canada and the U. S.—and the dealership is no slight thing, with the average agency representing an investment of a million dollars or more. Elsewhere in the world 125 dealers provide sales and service. They, too, must be doing a good job, as export sales for 1954 are estimated at $137 million (out of total sales of $401 million). Through such effective and entrenched sales outlets, and because Caterpillar has been in business for so many years, spare and repair part sales have now reached about 23% of the total; and these items carry a much higher profit margin than new units.

Naturally a company so large and so progressive can't stand still; it has to renew, modernize, and add to, its plants. In the five years 1948-53, capital outlays of over $100 million were made, $94 million of these funds being generated internally by depreciation and retained earnings. The biggest project in recent years is the new plant at Decatur, Ill., the last word in big time manufactories. This unit will transfer motor grader and wheel-type tractor output from Peoria, and up-grade total capacity to a point where annual sales of $675 million may be possible.

This Decatur plant follows a new plant in Joliet, Ill. of 700,000 square feet completed in 1951 and augmented by another 500,000 square feet in 1953; and the new plant in York, Pa., completed in 1953, which turns out tracks and roller parts for Eastern U. S. and the export market.

While we're on the subject, let's talk about these sales figures. They've varied, of course. The postwar and reconversion year of 1946 hit a low of $128 million for net sales. Then there was a steady rise to 1952 when an all-time high of $477.5 million was attained. But curiously enough that king size 1952 gross converted to per share net of only $4.84 against a per share figure of $5.83 for 1954 on $76 million less business. This favorable showing last year derives not only from the expiration of E.P.T., but from improved plant efficiency which in the five-year period 1946-50 downturned the percentage of total wages and salaries to sales, from 40.5% to just below 27%. Anyone who works with labor ratios can appreciate what a whale of a job in beefing up plant efficiency has been done at Caterpillar. The ratio has drifted up a little to probably around 30% right now, but that's still an excellent mark for this type of industry.

It might well be argued that the full potential of Caterpillar is yet to be revealed. Excess profits taxes had been clipping around $1.50 a year, per share, from net till the 1953 year-end, and maximized earning power was bedevilled by a two months partial strike in 1951, a 14 weeks steel strike in 1952, and the rolling recession of 1953; and only now is the vast investment in plant addition and improvement ready to show up at the payoff window. Assuming a possible sales figure of $600 million, net carry through of above $10 a share could quite conservatively be projected here.

Let's pause a moment to look at the Caterpillar stockholder. He's been well treated and should exude quite a bit of confidence in the management. Thirty years of uninterrupted dividend payments (with net income reported in each year except 1932) roughly averaging 45% of net, have provided a reasonable income here; and these bounties have been supplemented by a two-for-one split in 1949, and 4% stock dividends in 1953 and 1954. And net working capital of well above $100 million gives obvious documentation of magnificent current solvency. The gentlemen who direct financial policy here have achieved balance sheet strength without inhibiting a large scale flow of funds into expansion for increased future profitability.

There are 4,144,693 shares of Caterpillar Tractor Company common listed NYSE and currently quoted at 87. Possible cash dividend for this year is around $3; but the price of the stock, and the current fashions in finance, suggest the probability of another stock dividend this year, and perhaps a split. Ahead of the common, and providing some leverage for same, lie $52 million in long-term debt and 230 000 shares of $4.2 preferred, selling at 104, an authentic investment-type blue chip.

Here, then, is an industrial common stock that meets most of the requirements of a sound long-term equity holding—good management, prudent expansion, long dividend record, sound financing and the prospect of entering a new plateau of profitability. Big industrial demand for its products, the opening up of backward lands, delving for minerals all over the globe, increased farm mechanization, and our $100 billion road program all give some substance to the belief that Caterpillar Tractor Company can continue to produce, sell and prosper. If there are any bulls dozing at the moment, it might pay them to bestir themselves and to examine Caterpillar—which may make tracks in the market.

Dallas Rupe Acquiring Membership in NYSE

DALLAS, Texas—On March 3 Dallas Rupe & Son, Inc. are becoming members of the New York Stock Exchange. Officers are Dallas Gordon Rupe, who will hold the firm's Exchange membership, President; Roderic B. Thomas, Vice-President and Treasurer; and Robert E. Dennard, Vice-President and Secretary.

Irving Lundborg Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Clifford D. Barnes has become connected with Irving Lundborg & Co. 310 Sansome Street, members of the New York and San Francisco Stock Exchanges.

Continued from page 2

The Security I Like Best

will be junior in status though to the other debt to the company—a provision which will become effective only in extremes, such as the liquidation or reorganization of the company.

A recent pro forma balance sheet shows total assets of $162,000,000, including cash, receivables and inventories of $82,000,000. All liabilities amount to $67,500,000, of which our 15-year debentures are a part. The past is no guide for estimate of future earnings. The company's officials believe that the reasons for the heavy losses of the predecessor companies are a matter of history. The heavy sinking fund requirements on the debentures will establish strong demand at quarterly intervals. The yield of over 7% to average maturity compares favorably with any other investment medium. While obviously the profit possibilities are limited compared to the stock equities, so seems to be the risk.

These debentures are traded in the Over-the-Counter Market and the current quotation is 86½-87½.

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(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—Charles W. Meyer is now associated with W. P. Clancey & Co., First National Bank Building, members of the Cincinnati and Midwest Stock Exchanges.

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New York's Bank Fiduciary Fund— A Trust Investment Company

By CHARLES W. BUEK*

Vice-President, United States Trust Co., New York City

Prominent New York trust executive describes the organization, and explains the purpose of the Bank Fiduciary Fund, an open-end mutual fund, set up by several trust companies, and which will make its "debut" about May 1. Though this fund will look like and operate as an open-end mutual fund, it will act much more like a "common trust fund"; since participations are limited by law to $100,000 per trust, as prevails in common trust funds. Stresses, however, the "Bank Fiduciary Fund" is not accountable to the courts, but it will be examined annually by the State Banking Department.

If there is any one thing which I should report to you, it is that our campaign to improve the scope and quality of our service in small trusts and small trust departments has been a popular undertaking. We have had the active assistance of many bankers, of course, but also the help of the Surrogates' Association, Bar Associations, and of supervisory authorities in both Albany and Washington. Every one with whom we have sat down to discuss the problem has been in sympathy with our purpose. I think I can say that our plan has not been opposed by any one who took the time to think it through. The Bank Fiduciary Fund will make its debut May 1, and we are in the happy position of parents whose daughter might prove to be the most popular debutante of the season.

Charles W. Buek

If the fund lives up to its early promise and proves to be a solution to the problem of investing funds in small trust departments, it will succeed only because the plan is neither a makeshift nor a compromise. It makes no attempt to perpetuate the practices and habits of the past. Where it differs from the old way of doing things, we are going to change our ways. Where it goes beyond familiar legal boundaries, we have changed the law. As a result, the fund is especially tailored to the needs of the banks; and we believe that it will serve a wide variety of fiduciary purposes.

Our plan for a mutual fund within the banking system is very simple, but it raises several fundamental questions of policy. It deviates from the traditional procedures of the trust field, and yet it has been accepted and endorsed by banks and supervisory authorities alike. We cannot escape the significance of the fact that there is today on all sides a willingness to modernize old practices; to accept new ideas; and, in fact, to do whatever is necessary to solve the problem of investing funds in small trusts and small trust departments.

You may have heard our fund described, rather inaccurately, as the "Poor Man's Common Trust Fund." You may have read that we intend it to pick up where the common trust fund has left off. That is one of its primary purposes.

In New York State, not one bank in ten has set up a common trust fund. There may be a handful of banks, of which my own U. S. Trust Company is one, which still believe that they can afford the luxury of the separate investment and the separate supervision of small trusts. But the great majority of the banks could make good use of common trust funds if only they had a sufficient number of suitable trusts to justify the expenses involved. The common trust fund proved to be an instrument for use by a few relatively large banks. The Bank Fiduciary Fund, therefore, will be the common trust fund for nine banks out of ten.

Another Service of the Fund

Our fund will serve another purpose for which the common trust fund was never intended. In New York State, two-thirds of the banks in the Trust Division have no investment department, nor even one full-time investment man. There can be no thought of a common trust fund if there are no personnel to manage it. There is no point in putting all your trusts in one basket if you have no one to watch the basket.

I don't know how large a trust department must be to afford investment personnel. The Pennsylvania Bankers Association, I believe, put the minimum size at $5 million; and many of the trust departments in New York State are well under that figure. The Bank Fiduciary Fund will be a very useful tool for many of those smaller banks, because it brings with it investment management from outside the participating group.

We realize that there is a basic question of policy involved in equipping banks which are not fully equipped themselves. This is one of several matters of policy which we have debated and decided in the past three years. Before talking about policy, let me first describe the plan very briefly, and you will see that it is mechanically simple and only philosophically complex.

The Bank Fiduciary Fund is an open-end mutual fund described in the statute as a mutual trust investment company. That is a phrase we coined for the purpose. You will find it defined in Chapter 619 of the Laws of 1954 of the State of New York. A mutual trust investment company has three distinguishing characteristics:

(1) Its shares may be held only by banks serving in a fiduciary capacity as trustee, executor, guardian, or committee.

(2) Its portfolio is limited to investments which are legal for trustees in the State of New York. This means that it will be restricted by law to 35% in common stocks.

(3) It will be examined and regulated by the State Banking Department.

That, by definition, is a mutual trust investment company. It will be run by a board of bankers, serving without compensation, at least one of whom must come from each of the nine banking districts of the State. The geographical diversification of the board of directors was one of the features particularly commented on by the Federal Reserve Board.

We had our organization meeting on Jan. 24, and elected an 11-man board. Of that number, eight directors are from banks outside of New York City. Furthermore, a majority of the five-man executive committee are from upstate.

The directors will employ one qualified bank or trust company, on a package contract basis, to serve as custodian, investment adviser, and corporate trustee. The fee of the custodian bank will be deducted from portfolio income before it is distributed to stockholders. Notice that this means that the cost of the plan is borne by the beneficiaries of the participating trusts. That is another matter of policy on which we thought long and hard.

Shares in the fund will be issued to participating banks, and will be registered in the names of the banks' nominees. They will not be registered in the names of the trusts. This will reduce the number of registered holders from many thousands to less than 200 and is an important economy measure.

Up to that point, the Bank Fiduciary Fund will look like an open-end mutual fund. From there on, it will act much more like a common trust fund.

Participations are limited by law to $100,000 per trust. The same limit now applies to common trust funds.

Valuations will be made quarterly, beginning May 1. We are deliberately avoiding the busy calendar year quarters. As you know, a trust desiring to enter or leave the fund will have to wait for the next quarterly valuation date.

The fund may not be used by any bank operating a suitable common trust fund. This not only confines its use to banks which need it, but also avoids the problem of what to do about a trust which might have a full $100,000 participation in a common trust fund and also desires an additional participation in the Bank Fiduciary Fund. Under the State Banking Department's regulations, that cannot happen.

The unit value of the shares will start at $100, which is a handy size for the reinvestment of mortgage amortization payments. They will be small enough to fit readily into guardianships and veterans' committeeships. They will be useful in small inter *vivos* trusts for professional men and others making a start on an estate planning program. They will be helpful in small profit-sharing trusts. Although limited to New York legal investments, the shares will be appropriate for many discretionary trusts. They will undoubtedly be useful in other ways which we have not yet imagined.

In this connection, it is clearly understood that shares in the Bank Fiduciary Fund are to be used for *bona fide* fiduciary purposes only. The words *bona fide* appear often in the regulations of the Banking Board and in the record of our meetings with the Federal Reserve Board. I am certain that no other use will be permitted.

Some Basic Complexities

That, briefly, is our plan; and as you see, it is really very simple. The plan itself was more or less agreed upon in New York State nearly two years ago. Since that time, we have been considering the basic questions of policy which it raises—the philosophical complexities which I mentioned a moment ago.

For example, you may wonder why we have to form a company, when some more informal association or cooperative effort might be attempted. We believe that incorporation is the key to the solution of the problem of the establishment of a common trust fund for two or more banks. Informal arrangements lead to confusion as to the distribution of responsibility among the participants, and they complicate the problem of fairly allocating the costs of the undertaking. A corporation has these three advantages:

(1) The mutual trust investment company draws a clear line between the responsibilities of the company and of the bank fiduciaries. The company which we propose segregates investment duties from all other responsibilities. The small banks need no help in their personal relationship with their customers. They need only investment management. In purchasing shares in an investment company, it is obvious that they are not sharing the balance of their duties as a trustee.

(2) An investment company carries with it the tax exemption which is a prerequisite to any solution of the problem. Trust beneficiaries cannot be subjected to double taxation. An investment company which distributes 95% of its income is not subject to Federal taxes.

(3) The limited expenses of the corporation will be borne only by the trust benefiting from participation in it. Other less formal methods of association present

*An address by Mr. Buek at the 36th Midwinter Trust Conference sponsored by the Trust Division of the American Bankers Association, New York City, Feb. 7, 1955.

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problems of cost accounting, which might lead to an inequitable distribution of expenses either within the fund or in trust departments outside of it.

The matter of the segregation of responsibilities raises two questions: (1) To whom is the company accountable? and (2) What are the responsibilities of all parties concerned? One lawyer we talked to put it more simply. He said, "Just tell me one thing. Whom do I surcharge?"

The Bank Fiduciary Fund is not accountable to the court. It is accountable only to the registered stockholders, who are the participating banks themselves. It will be examined annually by the State Banking Department, much in the manner of a trust department or a common trust fund. The Department will verify the legality of the investments in the portfolio, but it will not undertake to recommend or endorse the fund as a whole.

The Bank Fiduciary Fund is not subject to surcharge, for it is merely offering its stock for sale. It cannot be held liable, any more than General Motors Corporation can be held liable, if a trustee makes an improper investment in its shares. You will agree that bankers serving on the board of the mutual trust investment company, without compensation and as a public service, cannot be made subject to surcharge personally or as a group, except in case of their willful negligence or misconduct.

Furthermore, the fund itself cannot be subject to surcharge, for that would throw the burden of a surcharge on the principal of the other trusts remaining in the fund.

Finally, the investment company cannot itself be liable, for it will have no capital, no surplus, and no accumulated reserves.

But is this absence of surchargeability a weakness? What occasion for surcharge can there be, in a fund invested in legal investments under the scrutiny of the Superintendent of Banks, and reviewed at regular intervals by a board of bankers advised by one of the most qualified banks in the state? Surely this well diversified fund will afford its participants, without recourse to surcharge, better protection from the uncertainties of business and the markets than they now have, invested separately and in small amounts.

Two Lines of Attack

There are two ways of attacking a disease. One is to eliminate the cause; the other is to improve the cure. If we can eliminate the cause of losses in the management of funds, there will be no need for the bitter medicine of surcharge. Furthermore, most of the losses which occur in trust accounts are not caused by any negligence or improper action; and the law affords no protection against them. To that extent, the Bank Fiduciary Fund provides additional safeguards not now afforded even by the courts.

Although the fund is not subject to surcharge, the individual bank is not relieved of all responsibility. The statute reads, in Section 552, as follows:

"*Accountability.* A mutual trust investment company shall not be responsible for ascertaining the investment powers of any fiduciary who may purchase its stock or shares and shall not be liable for accepting funds from a fiduciary in violation of the restrictions in any will, deed, or other instrument in the absence of actual knowledge of such violation, and shall be accountable only to the fiduciaries who are the owners of its stocks or shares."

This means that the bank which participates one of its trusts in the fund risks surcharge if such action is improper under the terms of the trust instrument. Furthermore, it may be held liable if it incurs an inordinate sacrifice of principal or income in order to participate.

Now for another philosophical question. You will recognize that a bank which participates in the fund has delegated some of its duties as trustee to the directors of the Bank Fiduciary Fund. There is no law against delegation in New York State, but there is plenty of case law opposing it.

We disposed of the legal problem readily, by adding a section to our statute, reading as follows:

"*Shares legal investments for fiduciaries.* An eligible fiduciary or fiduciaries may invest or reinvest moneys held in a fiduciary capacity in shares of a mutual trust investment company except where the instrument or the order, decree, or judgment under which such moneys are held prohibits such investment, provided, however, the net aggregate amount of moneys of any estate, trust, or fund invested in shares of such mutual trust investment company shall not at any time exceed $100,000 or such lesser sum as may be fixed as the maximum amount permitted by such rules and regulations as may be promulgated by the banking board. Such shares shall be treated in the same manner as investments in a legal common trust fund in applying the limitations of subdivision one, paragraph (m) of section 21 of the personal property law."

Here again, the action taken was simple; but there remained the question of whether we were right in doing it. It has been a cardinal rule in the trust business that a trustee may not delegate his duties to any one else. There was always the fear that another person would do something improper or careless, or would fail to do something, and that he could not be held responsible for his actions.

We see in the Bank Fiduciary Fund no plausible possibility of negligence or impropriety. The fund will be examined annually by the Superintendent of Banks, it will be reviewed at regular intervals by a board of bankers, and it will be under the constant surveillance of a top-level trust department. Its investments will be New York Legals. As we see it, and as the authorities have seen it, the individual bank is not delegating duties; it is assigning duties. It is assigning investment duties to a management group, very much as it might heretofore have retained a lawyer. However, calling in investment specialists is going to cost money; and the next question is "Who is to pay the additional cost; the bank or the customer?" At first we considered having the participating banks pay the bill, on the grounds that they were not entitled to a full commission unless they did all the work. That is a natural way to look at it; but it is unrealistic; and, on careful analysis, it is unsound.

The money is simply not available in the small trust departments. Many of them are deep in the red, and many more are just about breaking even. However, in spite of their difficulties and their lack of personnel, the trust funds are not lying idle. They are fully invested now, perhaps rather heavily in low-yielding government bonds. The use of common stocks is limited, and we assume that diversification is a problem.

Investment information now is gathered from correspondent banks, brokers, and published services, sometimes supplemented by an advisory service on a fee basis. Although the final investment product does not satisfy the banks themselves, it is doubtful whether they would be willing to share their trustees' commission for the sake of diversification and top-level investment judgment. They would be more likely to bump along with savings bonds.

Aside from this practical consideration, there is one overriding reason for having the customer pay the cost of this undertaking. We are right in making trust ad-

Continued on page 47

This announcement is neither an offer to sell nor a solicitation of an offer to buy any of these Debentures. The offer is made only by the Prospectus.

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March 3, 1955.

Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Advantages of Mutual Funds — Circular — Bache & Co., 405 Lexington Avenue, New York 17, N. Y.

Atomic Activities — News letter featuring information of significance relating to the atomic and electronic age—National Securities and Research Corporation, 120 Broadway, New York 5, N. Y.

Banks and Bank Shares—Annual Comparative study—Blyth & Co., Inc., 14 Wall Street, New York 5, N. Y.

Bond Market — Bulletin — New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Canada's Iron Ore Industry—Analysis—Nesbitt, Thomson and Company, Ltd., 355 St. James Street, West, Montreal, Que., Canada. Also available is an analysis of **Bowater Paper Corporation Ltd.**

Canadian Chemical Industry—Analysis—Ross, Knowles & Co., Ltd., 25 Adelaide Street, West, Toronto 1, Ont., Canada.

Canadian Letter—Fortnightly review of the Canadian Securities Market—Newling & Co., 21 West 44th Street, New York 36, N. Y.

Copper — Analysis of outlook with particular reference to **Magma Copper Co.**—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Electric Utilities in Japan—In current "Monthly Stock Digest" with particular reference to **Chugoku Electric Power Co., Ltd., Hokuriku Electric Power Co., Ltd.** and **Hokkaido Electric Power Co., Ltd.**—Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y. and 1-1 Chome, Nihonbashi-Tori, Chuo-ku, Tokyo, Japan.

Foreign Investment Through the Japanese Stock Market—In current issue of "Weekly Stock Bulletin" — The Nikko Securities Co., Ltd., 4, 1-chome, Marunouchi, Chiyoda-ku, Tokyo, Japan.

Growth Stocks—New research report in current issue—Harvard Business Review, Box 803-FC, Soldier's Field, Boston 63, Mass.—$8.00 for six issues, plus "How to Increase Executive Effectiveness."

Insurance Stocks—Tabulation of operating results for the 12 months ended Dec. 31, 1954 — Blair & Co., Inc., 44 Wall Street, New York 5, N. Y.

Investment Opportunities in Japan—Circular—Yamaichi Securities Co., Ltd., 111 Broadway, New York 7, N. Y.

Life and Casualty Insurance Company of Tennessee—Analysis — Equitable Securities Corporation, 322 Union Street, Nashville 3, Tenn.

New York City Banks—Breakdown of government bond portfolios and sources of gross income of 16 New York City Banks—Laird, Bissell & Meeds, 120 Broadway, New York 5, New York.

Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 13-year period — National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Railroad Income Bonds — Comparison — Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Real Estate Stock Index—Amott, Baker & Co. Incorporated, 150 Broadway, New York 38, N. Y.

Textile Industry—Bulletin—Cohu & Co., 1 Wall Street, New York 5, N. Y.

What Atomic Energy Is and How It Is Applied—4-color sheet with listing of 100 atomic stocks—Atomic Development Securities Co., 1033 Thirtieth Street, N. W., Washington 7, D. C.

* * *

Air Products Incorporated — Analysis — Walston & Co., 120 Broadway, New York 5, N. Y.

Allied Chemical & Dye Corporation—Annual report—Allied Chemical & Dye Corporation, 61 Broadway, New York 6, New York.

American Hardware Corporation—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Baltimore & Ohio—Analysis of development of common stock—Newburger, Loeb & Co., 15 Broad Street, New York 5, New York.

Bingham Herbrand Corporation — Analysis — Wm. J. Mericka & Co., Inc., Union Commerce Building, Cleveland 14, Ohio.

Bird & Son, Inc.—Analysis—May & Gannon, Inc., 161 Devonshire Street, Boston 10, Mass.

Black & Decker Manufacturing Company—Bulletin—Reynolds & Co., 120 Broadway, New York 5, N. Y.

Bonanza Oil & Mine—Report—L. D. Friedman & Co., Inc., 52 Broadway, New York 4, N. Y.

Campbell-Taggart Associated Bakeries, Inc.—Bulletin—Sanders & Newsom, 1309 Main Street, Dallas 2, Texas.

Chase National Bank-Bank of the Manhattan Company—Analysis of proposed plan of merger—M. A. Schapiro & Co., 1 Wall Street, New York 5, N. Y.

Chesapeake & Ohio—New study—$5.00 per copy—Dept. B-33, Thomas G. Campbell Co. Incorporated, 52 Broadway, New York 4, N. Y. Also available are studies of **New York Central, New Haven, Pennsylvania** and **Southern Pacific**—$5.00 per copy for single analysis, any three $12.00 and all five for $18.

Cinerama Productions Corp.—Analysis—John R. Boland & Co., 30 Broad Street, New York 4, N. Y.

Deere & Co.—Memorandum—McDonnell & Co., 120 Broadway, New York 5, N. Y. Also available are memoranda on **General Cable Corp., Oliver Corp.**, and **Sinclair Oil Corp.**

Empire State Oil—Circular—Hay, Fales & Co., 71 Broadway, New York 6, N. Y.

Fidelity Union Trust Co. of Newark—Memorandum—I. George Weston & Sons, 210 Broadway, Long Branch, N. J.

Fire Association of Philadelphia—Brief analysis—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y. In the same bulletin are brief analyses of **Olin Mathieson Chemical Corp., Socony Vacuum Oil Company, Southern Company, Swift & Company**, and **F. W. Woolworth & Co.** Also available is a bulletin on **Southern Indiana Gas & Electric Company.**

Foote Mineral Co.—Report—Schmidt, Poloe, Roberts & Parke, 123 South Broad Street, Philadelphia 9, Pa.

General Dry Batteries Inc.—Data—Lewis & Stoehr, Inc., 80 Broad Street, New York 4, N. Y.

Gustin-Bacon Manufacturing Co. — Memorandum — Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y. Also available is a memorandum on **Laclede Gas Co.**

Gypsum, Lime & Alabastine, Canada, Limited — Review — James Richardson & Sons, 173 Portage Avenue, East, Winnipeg, Canada and Royal Bank Building, Toronto, Canada.

Hazel Atlas Glass Company — Analysis in current issue of "Gleanings"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. In the same issue is a brief analysis of **Southern Natural Gas Company** and a list of 40 selected **"Quarter Century Payers."**

Iowa Southern Utilities Co.—Card Memorandum—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

Manabi Exploration Co. — Memorandum — Leason & Co., 39 South La Salle Street, Chicago 3, Ill.

Northern Indiana Public Service Co. — Memorandum — R. W. Pressprich & Co., 48 Wall Street, New York 5, N. Y.

Philips Lamp — Memorandum — Salomon Bros. & Hutzler, 60 Wall Street, New York 5, N. Y.

Continued on page 9

Dependable Markets in

Over-the-Counter Securities

TROSTER, SINGER & CO.

HA 2-2400 — *Members: N. Y. Security Dealers Association* — NY 1-376

74 Trinity Place, New York 6, N. Y.

This is not an offering of these shares for sale, or an offer to buy, or a solicitation of an offer to buy, any of such shares. The offering is made only by the Prospectus.

50,000 Shares

The Reliance Electric and Engineering Company

Common Stock
Par Value $5 Per Share

Price $41.50 per share

Copies of the Prospectus may be obtained from the undersigned.

Blyth & Co., Inc.

March 2, 1955.

NSTA Notes

NATIONAL SECURITY TRADERS ASSOCIATION

The Executive Council of the National Security Traders Association have authorized the issuance of a "Traders Bulletin," on a

George J. Muller

Joseph E. Smith

quarterly basis. The bulletin will be designed to answer the recurring question "What does N. S. T. A. do for its members." It will be edited and issued under the jurisdiction of the Publicity Committee of which George J. Muller, Janney & Co., Philadelphia, and Joseph E. Smith, Newburger & Co., Philadelphia, are co-chairmen.

Members are urged to contribute material of interest to N. S. T. A. for publication of the forthcoming or later issues. Material for the March issue of the "Bulletin" should be sent in before March 11, 1955.

INVESTMENT TRADERS ASSOCIATION OF PHILADELPHIA

The Investment Traders Association of Philadelphia reports a most successful dinner on Feb. 25 with approximately 450 members and guests in attendance, establishing a record. Pictures taken at the dinner appear elsewhere in today's issue of the "Chronicle."

Tucker, Anthony Co. Adds Four in NYC

Tucker, Anthony & Co., 120 Broadway, New York City, members of the New York and Boston Stock Exchanges, announced that John P. Mellor has joined their organization in the Bond Department, Prentice Talmadge, Jr. in the Municipal Department, Rowland C. Hike in the Stock Department and Soren D. Nielsen in the Trading Department.

Mr. Nielsen was formerly with New York Hanseatic Corporation.

J. R. Phillips Opens New Department

HOUSTON, Tex.—J. R. Phillips Investment Company, State National Building, have opened a new Trading Department under the direction of John S. Weatherston and John A. McDonald. The firm has also installed a direct wire to New York Hanseatic Corporation, 120 Broadway, New York, N. Y.

Nomura Securities Co., Ltd.
Member N.A.S.D
Broker and Dealer
Material and Consultation on Japanese Stocks and Bonds without obligation
61 Broadway, New York 6, N. Y.
Tel.: BOwling Green 9-0187
Head Office Tokyo

DEPENDABLE MARKETS

DEMPSEY-TEGELER & CO.

Bonanza Oil & Mine
Producing Quicksilver Mine
Trading Markets Maintained
Report on request
L. D. FRIEDMAN & CO. Inc.
52 Broadway, New York City 4, N. Y.
Telephone DIgby 4-0860

Is Sterling Now Convertible?

By PAUL EINZIG

Commenting on instructions given to the Exchange Equalization Fund by the British Chancellor of the Exchequer to operate in the markets for transferable sterling, Dr. Einzig says this is a more important step in *de facto* sterling converibility than the increase in the bank rate or restrictions on instalment selling. Asserts new order gives the Bank of England a free hand in exchange operations.

LONDON, Eng. — Amidst the dramatic reactions to the increase of the Bank rate to 4½%, and to the departure from the policy of freedom by imposing restrictions on instalment business, Mr. Butler's third measure of defense passed almost unnoticed as the day when the three measures were announced. This measure consisted of the instructions given to the Exchange Equalization Fund to operate in future in the markets for transferable sterling. Yet it is by far the most important step. The Bank rate may be reduced any day. The restrictions on instalment business are very mild—a minimum deposit of 15% and a maximum repayment period of 24 months does little more than confirm the terms that are actually in operation in the large majority of instances. But the official operations in transferable sterling may constitute a decisive step amounting to a return to a *de facto* convertibility of sterling.

Dr. Paul Einzig

Much depends on how the government's instructions are interpreted and applied. Within the limits of the broad instructions given by the Chancellor of the Exchequer, the Bank of England —which in practice operates the Exchange Equalization Fund—will have free hands in its exchange operations. If it should interpret its role as aiming at raising the rates for transferable sterling to the vicinity of the London quotations, and maintaining them at that level at all costs, then for all practical purposes transferable sterling would become freely convertible into dollars at the market rates supported by the authorities. Any holder would be able to buy dollars at the prevailing sterling-dollar rate, for if there are no private buyers at that rate the British authorities will step in to prevent the development of a discount on transferable sterling.

At the time of writing it would be premature to form an opinion how the new arrangement will work. It may take weeks, possibly months, before the authorities themselves will be able to settle down to a new routine. Possibly a small discount may be tolerated —not wide enough, however, to make it profitable to engage in commodity-shunting. Perhaps the idea of the Exchange Equalization Fund is not to keep the rate rigidly pegged but to intervene from time to time in order to squeeze the bears, as it did so successfully on many occasions during the 'thirties. It remains to be seen. But if the official policy is to keep transferable sterling at par with the London market rates, then for all practical purposes sterling would become convertible for holders outside the Sterling Area.

The declared object of this new policy is to make commodity-shunting unprofitable. But if Mr. Butler wanted to restore convertibility without exposing himself to a violent onslaught by all opponents of convertibility he could not have proceeded more skillfully. The fact that such smart opponents as his predecessors, Mr. Gaitskell and Dr. Dalton, failed to grasp the significance of the change when it was announced, shows that, if Mr. Butler had Machiavellian designs in this matter, he certainly got away with it. But it seems doubtful whether this was in fact his intention. For it would be boldness amounting to foolhardiness to take this moment for returning deliberately to convertibility. Mr. Butler has enough troubles just now without having to add to them by exposing sterling to such additional pressure.

So it seems reasonable to assume that this was not a repetition of the "crime of 1873," and that it was not Mr. Butler's considered intention to smuggle in convertibility surreptitiously under the guise of a technical measure. In its effect it may work out, however, in that sense. Fortunately for Britain, Mr. Butler did not commit himself to *de facto* convertibility by any undertaking to keep transferable sterling at par. Everything depends on the way in which the foreign exchange market will respond to the high Bank rate and the other disinflationary measures Mr. Butler has taken or may take. If they should inspire confidence, sterling will be firm and there will be no reason for holders of convertible sterling to sell at a discount. In that case the Exchange Equalization Fund will not have any difficulty in performing its new functions. Transferable sterling would remain in the vicinity of the London rates with very little support, or possibly even without any support. Sterling may rise to a premium, and the authorities may even recover some of the gold they lost in February.

If, on the other hand, sterling should fail to inspire confidence, then the Exchange Equalization Fund will have a busy time in supporting it, at the cost of much heavier losses of gold than those that would have been sustained in the ab[illegible]ice of official operations in transferable sterling. Should these losses prove to be too heavy, the authorities would be at liberty to discontinue the supporting operations. They are in no way committed to holding transferable sterling at any level, but will only do so when this is considered expedient.

Much depends on the extent to which the measures taken will check domestic inflation. A reduction of the inflated demand at home will lower imports and will induce British firms to increase their efforts to export more. The attraction of foreign "hot money" by high interest rates is no solution, unless it is followed by a marked improvement in the balance of payments.

It would be premature to form an opinion about the effect of the changed situation on the prospects of a general election. Should the high Bank rate do its work swiftly it might still be possible for the government to face a general election in the late autumn, by which time the Bank rate could be reduced. But so long as any unemployment resulting from the credit restrictions remained in existence it would be inexpedient for the government to risk a general election. They are in a position to defer it, if necessary, till October 1956. Economic developments within the next few months will determine whether they will do so.

New York Hanseatic Wire to Pledger Co.

New York Hanseatic Corporation, 120 Broadway, New York City, has installed a direct private wire to Pledger & Company, Inc., 210 West Seventh Street, Los Angeles, Calif.

Continued from page 8

Dealer-Broker Investment Recommendations & Literature

Placer Development Ltd.—Memorandum—Hemphill, Noyes & Co., 15 Broad Street, New York 4, N. Y.

Public Service Co. of New Hampshire—Highlights—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Robert Gair Co.—Memorandum—Hirsch & Co., 25 Broad St., New York 4, N. Y.

Shamrock Oil & Gas—Bulletin—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

Southeastern Telephone Co.—Memorandum—Beil & Hough, 33 Fourth Street, North, St. Petersburg, Fla.

Strategic Materials Corp.—Special report—Straus, Blosser & McDowell, 30 Pine Street, New York 5, N. Y.

Techbuilt Homes, Inc. — Analysis — Aetna Securities Corporation, 111 Broadway, New York 6, N. Y. Also available is a card Memorandum on **Zonolite Company.**

Wisconsin Power and Light Company—Analysis in current issue of "Business and Financial Digest"—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis. In the same issue is a discussion of **Roadbuilding and Equipment Supplies**, with particular reference to **Allis Chalmers Manufacturing Company, Bucyrus Erie Company, Harnischfeger Corporation** and **Koehring Company.**

This is not an offering of these shares for sale, or an offer to buy, or a solicitation of an offer to buy, any of such shares. The offering is made only by the Prospectus.

361,922 Shares

First Bank Stock Corporation

Capital Stock

(Par Value $10 Per Share)

Rights, evidenced by Subscription Warrants, to subscribe for these Shares at $31.50 per Share have been issued by the Corporation to holders of its Common Stock of record February 24, 1955, which rights expire March 14, 1955, as more fully set forth in the Prospectus.

The several Underwriters have agreed, subject to certain conditions, to purchase any unsubscribed shares and, during and after the subscription period, may offer shares of Capital Stock as set forth in the Prospectus.

Copies of the Prospectus may be obtained from any of the several underwriters only in States in which such underwriters are qualified to act as dealers in securities and in which the Prospectus may legally be distributed.

Blyth & Co., Inc.

The First Boston Corporation — Glore, Forgan & Co. — Goldman, Sachs & Co.
Merrill Lynch, Pierce, Fenner & Beane — Smith, Barney & Co.
Union Securities Corporation — White, Weld & Co. — Piper, Jaffray & Hopwood
Paine, Webber, Jackson & Curtis — Dean Witter & Co.
Kalman & Company, Inc. — J. M. Dain & Company — A. C. Allyn and Company (Incorporated)
Central Republic Company (Incorporated) — Clark, Dodge & Co. — Francis I. duPont & Co.
M. A. Schapiro & Co., Inc. — Bache & Co. — Robert W. Baird & Co., Incorporated
The Milwaukee Company — Pacific Northwest Company
Harold E. Wood & Company — Woodard-Elwood & Company
M. H. Bishop & Co. — Jamieson & Company — Allison-Williams Company
Caldwell Phillips Co. — Mannheimer-Egan, Inc. — C. S. Ashmun Company
Baxter, Williams & Co. — Johnson-McKendrick Co., Inc.
Irving J. Rice & Company (Incorporated) — Shaughnessy & Company, Inc.

March 1, 1955.

This is not an offering of these shares for sale, or an offer to buy, or a solicitation of an offer to buy, any of such shares. The offering is made only by the Prospectus.

600,000 Shares

Central and South West Corporation

Common Stock

($5 par value)

Price $33.50 per share

Copies of the Prospectus may be obtained from any of the several underwriters only in States in which such underwriters are qualified to act as dealers in securities and in which the Prospectus may legally be distributed.

Blyth & Co., Inc. — Smith, Barney & Co. — Harriman Ripley & Co. (Incorporated)
Glore, Forgan & Co. — R. W. Pressprich & Co.
Clark, Dodge & Co. — Francis I. duPont & Co. — F. S. Moseley & Co.
G. H. Walker & Co. — The Ohio Company
Adamex Securities Corporation — Baker, Weeks & Co. — Boenning & Co.
Brooke & Co. — Cruttenden & Co. — Dempsey-Tegeler & Co.
Fulton, Reid & Co. — Lester, Ryons & Co. — The Milwaukee Company
Russ & Company — Shuman, Agnew & Co. — William R. Staats & Co.
Stroud & Company (Incorporated) — Sutro & Co. — Swiss American Corporation
Tucker, Anthony & Co. — William Blair & Company — Blunt Ellis & Simmons
Bosworth, Sullivan & Company, Inc. — Dittmar & Company — The Marshall Company
McCormick & Co. — Newhard, Cook & Co. — Reinholdt & Gardner
J. R. Williston & Co. — John W. Clarke & Co. — Cooley & Co.
Elkins, Morris & Co. — Ferris & Company — Chas. W. Scranton & Co.
Yarnall, Biddle & Co. — Barret, Fitch, North & Co. — Baumgartner, Downing & Co.
Brush, Slocumb & Co. Inc. — Richard W. Clarke Corporation — Courts & Co.
Elworthy & Co. — Eppler, Guerin & Turner — First California Company (Incorporated)
Robert Garrett & Sons — Goodwyn & Olds — Hayden, Miller & Co.
J. J. B. Hilliard & Son — Howard, Weil, Labouisse, Friedrichs and Company
Lawson, Levy & Williams — Mackall & Coe — A. E. Masten & Company
Moroney, Beissner & Co. — Peters, Writer & Christensen, Inc. — Smith, Moore & Co.
Stix & Co. — Henry F. Swift & Co. — Arthur L. Wright & Co., Inc.
Wulff, Hansen & Co. — Campbell, McCarty & Co. (Incorporated) — Curtiss, House & Co.
Davenport & Co. — Dixon Bretscher Noonan Inc. — Doolittle & Co.
Field, Richards & Co. — Grimm & Co. — Wm. P. Harper & Son & Company
Hawkins & Co. — Kenower, McArthur & Co. — Metropolitan St. Louis Company
Paine-Rice & Company — Woodard-Elwood & Company — Arthurs, Lestrange & Co.
Muir Investment Corp.

March 2, 1955.

Significance of Atomic Energy to Business

By SAMUEL H. BALLAM, JR.*
Assistant Trust Investment Officer,
Fidelity-Philadelphia Trust Company, Philadelphia, Pa.

Calling atomic energy as significant as the discovery of fire, Philadelphia trust officer traces development of the use of nuclear power in generating electricity as well as its uses in business. Says major developments in the atomic age have created opportunities for business. Concludes the ultimate benefits of atomic energy are limited only by man's imagination and ingenuity.

The advent of atomic energy is so significant it has been likened to the discovery of fire. Public imagination has been stirred by the revolutionary nature of the discovery and by the fear of its use in nuclear weapons. Almost every day our newspapers report news items pertaining to atomic energy developments, and we must attempt to assess their importance and possible effects upon our lives. Weekly magazines and other periodicals feature articles describing various aspects of the atomic energy program, predictions of life in the atomic age, and possible devastation as the result of an atomic attack. Our purpose today is to trace briefly some of the major scientific achievements which resulted in the successful operation in December, 1942, of the first controlled "chain reaction" under the late Mr. Fermi's direction. In addition we shall review the development of our atomic energy industry, consider recent accomplishments and discuss some applications of nuclear energy in the future.

The present state of nuclear science represents the cumulative effect of many important discoveries in various scientific fields. Dalton in 1808 was the first modern scientist to use the term atom. In 1869 Mendeleyeev developed the periodic table of the elements. The first radiations were discovered by Roentgen in Germany in 1895 and were called x-rays. There followed work by Marie and Pierre Curie after their discovery of radium in 1898. Dr. Einstein in 1905 developed the theory that mass and energy were equivalent, merely different in form. Important to later work was the development of the theory of the structure of the atom. We must recognize the contributions of scientists such as Rutherford, Bohr, Lawrence, Chadwick, Urey and Fermi, to mention some of the principals in the period prior to 1939.

*An address by Mr. Ballam before the Investment Women's Club of Philadelphia, Philadelphia, Pa., Feb. 17, 1955.

Dr. Einstein wrote to President Roosevelt in 1939 about the fission of the uranium atom and indicated the possibility of a nuclear weapon. The government began work in this area and with the advent of World War II instituted the Manhattan District to translate the discoveries and projections of the scientists into an actual bomb. An important early step was the construction of the first atomic "pile" or reactor at Stagg Field in Chicago in 1942. Many other monumental achievements were produced by this fabulous project culminating in the first atomic explosion at Alamogordo, New Mexico, in July, 1945. The bombing of Hiroshima and Nagasaki shortly thereafter made everyone conscious of the dreadful potential of atomic energy.

Like other major industries, the atomic energy industry, created and owned by the government, faced the job of postwar reconversion. The Manhattan District, in effect, was replaced by the Atomic Energy Commission established by the Atomic Energy Act of 1946. During the past nine years our atomic program has made tremendous strides under the AEC. The change in the law during 1954 should assure even greater progress.

Developments in the postwar period have been extraordinarily rapid (although some critics feel that more could have been accomplished) and are in three principal areas: weapons, nuclear power plants and radioisotopes. It is not my purpose to discuss weapons, other than to mention the successful development of a thermonuclear weapon or hydrogen bomb. The AEC recently stated that the device tested at Bikini Atol on Mar. 1, 1954, produced sufficient radioactivity in an area of approximately 2,800 square miles "to have seriously threatened the lives of nearly all persons in the area who did not take protective measures." Our weapon progress has obviously been good in recent years.

Nuclear Power Plants

Many conflicting statements have been made concerning nuclear power plants. Certain facts are public knowledge. First, the atomic submarine Nautilus powered by a nuclear reactor has been successfully tested. Second, ground was broken at Shippingport, Pa., in September, 1954, for the construction of a major nuclear power plant expected to deliver power to the Pittsburgh area by 1957. This plant is scheduled to produce a minimum of 60,000 kilowatts of electricity. Third, the cost of construction and operation in each of these major developments is not competitive with conventional power units at this time. Present estimates indicate the construction cost of the Shippingport plant will be in the magnitude of four to five times the cost of a conventional plant.

The AEC has a major reactor development program in progress involving five major types which appear most promising. It is expected that private industry aided by the Government will participate in the further development of this program. Several reactors have been announced and others are contemplated. The only large reactor thus far which is to be built without the aid of Government funds is a power plant planned by The Consolidated Edison Co. of New York, Inc. It is expected to cost $30 million to $40 million and produce approximately 125,000 kilowatts. In all probability it will be at least four years before the plant is in service.

Great Britain, under the compulsion of relatively high fuel costs, has made rapid progress in its reactor program. The work done in Great Britain indicates that costs have been reduced to a point at which electricity can now be produced in nuclear plants at a price competitive with that produced in conventional plants fueled by coal. The British Government has therefore announced a ten year program to build 12 nuclear power plants at a cost of $840 million. This new capacity will account for an estimated 25% of the new capacity to be installed during this period.

Here, in the United States, our program appears to be moving at a somewhat slower pace. Many predictions have been made concerning the point at which nuclear power plants will be competitive with conventional plants. It appears to me unimportant that no one really seems to know exactly when the competitive point will be reached. This will depend upon many factors including the cost of present fuel (oil, gas and coal) and the rate of technological progress in developing the new reactors.

The impressive fact in all these predictions is the unanimity evident that nuclear reactors will eventually be competitive with new conventional plants. Predictions are interesting, but are only predictions until we have constructed several reactors and gained operating experience. Ultimately, nuclear reactors, as in Britain, will undoubtedly be constructed to provide a part of the increased power requirements of our growing economy. It does not appear that they will replace any of the existing conventional plants.

The impact of nuclear power will obviously affect the future demand for conventional fuels. However, the fuel oil and gas consumed by the electric power industry are in the least profitable classification. The eventual loss of some future growth in a very small part of their business should be of little concern. Eventually, it is logical to assume that large nuclear reactors will be developed to power ships. This also will probably be an evolutionary change and should have little effect on the coal and oil industries. Nuclear powered aircraft seem a longer-term probability for the military use. Nuclear powered automobiles are not likely in the foreseeable future.

The third major area of atomic energy developments significant to business is radioisotopes. Some feel that the great number and variety of radioisotopes available at relatively low cost justify all the expenditures made on atomic energy, even though these radioisotopes are really by-products of the program. Shipments of radioisotopes to industry, medicine and other users is now exceeding 1,000 per month. They are used in two principal applications: (1) as tracers or tags and (2) to change or modify tissue.

Industrial applications are quite broad. As tracers or tags they are used to measure thickness, to measure wear, to test materials, to control the flow of liquids, to trace leaks and to identify different liquids such as oil products moving through a pipeline. Biological uses as tracers include the study of biological processes, studies of nutritional problems of animals and studies of the absorption of food by plants.

Many interesting results have been achieved in modifying tissue. Progress has been quite significant in agricultural applications in accelerating plant mutations. Higher yielding hybrid corn has been developed in the laboratory, rust-resistant oats have been developed in one year compared to approximately ten years which would have been required through natural breeding. In addition the sprouting of potatoes has been inhibited by the use of radiation. Cold sterilization of food to prevent spoilage has been achieved, but more work is required to perfect the process and maintain taste and color.

Some medical results through the use of radioisotopes have been quite dramatic. In some cases these have overshadowed the more important aspects including the availability of a new research tool perhaps as significant as the development of the microscope. Medical research staffs throughout the country are making increased use of radioisotopes in special studies. In addition, radioisotopes have been successfully used in certain cases to treat diseased tissue. Extensive experimentation is continuing in these areas. The medical profession now has improved sources of radiation available with more precise control of the degree of radiation and depth of peneration. It is expected that progress will continue in this area.

New Opportunities Created for Business

The foregoing brief description of some of the major developments in the atomic age indicates great opportunities which have been created for business. We are now moving in the direction of more rapid peacetime application of atomic energy. Nuclear power plants are being built, and during the coming years are expected to account for an increasing share of new power plant construction. It appears very difficult to predict precisely when the nuclear plants will be competitive on a cost basis with conventional plants. However the impact of the nuclear plants is not expected to affect the existing plants of electric utility companies. The effect upon conventional fuels, oil, gas and coal, would be evolutionary and cause no serious dislocations. Nevertheless, nuclear fuel will probably preempt some of the future growth in the use of oil, gas, and coal. This loss will occur in the lower rate classifications of oil and gas and should not be too important from an earnings standpoint.

The use of radioisotopes has expanded steadily as they have been used in broadening applications in industry, agriculture, medicine and research. Their principal uses are as tags or tracers and to modify tissue. Further strong growth is anticipated.

It is impossible to predict the eventual significance of atomic energy to business. Atomic energy is a tremendous new force. It will create more value than it destroys unless used for total destruction. The ultimate benefits of atomic energy are limited only by man's imagination and ingenuity. Business must assume its full share of responsibility in achieving the maximum benefits from this dynamic new achievement of the scientists.

This announcement is under no circumstances to be construed as an offer to sell or as a solicitation of an offer to buy any of these securities. The offering is made only by the Prospectus.

NEW ISSUE February 25, 1955

296,050 Shares

Maryland Casualty Company

Common Stock

(Par Value $1 Per Share)

Holders of the Company's outstanding Common Stock are being offered the right to subscribe at $40 per share for the above shares at the rate of 1 new share for each 6 shares held of record on February 24, 1955. Subscription Warrants will expire at 3:30 P.M., Eastern Standard Time, on March 10, 1955.

The several Underwriters have agreed, subject to certain conditions, to purchase any unsubscribed shares and, both during and following the subscription period, may offer shares of Common Stock as set forth in the Prospectus.

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If War Comes—What Industries Will Be Affected?

By ROBERT E. WILSON*

Chairman of the Board, Standard Oil Company (Indiana)

Executive of leading petroleum producer, having in mind a Universal Military Training and Service Act and eventually a war, discusses the needs of industry for personnel and equipment versus the military demands. Points out certain industries cannot operate at maximum efficiency without adequate technical help, particularly when these industries require greater expansion when an emergency arises. Deplores shortage of scientists both in and out of government service.

The Society of American Military Engineers is an organization comprised of people who should know about the manpower problems of the country. All of the members of the Society have had experience in the military services and many have had experience in business. You should be able to speak with authority on the needs of each. I hope that this conference will result in a concrete program to which we can all agree.

Robert E. Wilson

In the near future Congress will consider legislation concerning the Universal Military Training and Service Act. Some new regulations covering men in the reserves will also be considered. I think it is of paramount importance that those most concerned try to develop a sound and definite program. Equally important is to decide how such a program can be implemented. I suspect that we shall have little trouble agreeing on certain broad principles. For example, we can certainly agree that there is a real shortage of scientists and engineers in this country, and especially of those well trained in the latest developments. Most people agree that our selective service system should make every effort to have each individual do the job in which he can best serve his country. The trouble comes when we try to spell out the mechanism for accomplishing this. The important $64 question is who decides how and where a given individual should serve. I hope this conference can come up with some recommendations for consideration by the 84th Congress.

While I am listed as a board chairman, I have been engaged in or closely associated with, science and engineering for most of my life. I have served in two governments, one university, and two industry laboratories. By the end of World War I, I was a Major of the Chemical Warfare Service in charge of about 50 research workers. In recent years I have had some unusual opportunities to work with the military services as an advisor and consultant. I mention these items of personal background because it naturally affects my thinking with regard to the problems this conference is considering.

I was asked to talk to this conference about the "Needs of Industry." It must be clear to everybody here today that industry must function effectively if a national emergency should arise. The military forces would soon grind to a halt unless they were supplied with their multitudinous requirements, many of which are quite different from those required by the civilian market. Meeting these new requirements, and doing it quickly requires trained and experienced engineers and scientists, not only in production but in research, development, and design work.

Mr. Fletcher told us this morning about the need for technically trained men in a mass production industry. I think all of us now have a better appreciation of how these things work and why engineers are so necessary to keep these operations in business.

The Petroleum Industry

The petroleum industry is a good example of a process industry whose problems are different from those of a mass production industry. The use of engineers and scientists may be different, but they are at least equally important. Without engineers and scientists the petroleum industry would be in bad shape. And I should point out that if the petroleum industry were to fail on its job, the country would be in a mess. Even at present more of our country's energy is developed from oil and natural gas than from all other sources combined. During World War II there were more tons of petroleum products shipped overseas than the **combined** total of all other items, including bombs, tanks, guns, ammunition, and food.

If another war comes the immediate fuel requirements for aviation purposes will probably be greater than they were after four years of frantic effort in World War II. While the number of planes employed will probably be fewer than at the end of the last war, they will be larger, much faster, and powered with jet engines which burn fuel at a much higher rate than the piston engines used in World War II. In the second place, the war will probably be fought from bases all over the world and it is reasonable to assume that far more of the material and personnel will be transported by air than was the case last time. The combination of these two factors will result in an enormous military demand for aviation fuels. In connection with military requirements it is interesting to note that it takes about 12,500 gallons of aviation gasoline to train just one pilot!

Civilian Use of Airplanes

Civilian use of airplanes in time of war would undoubtedly be curtailed but the essential demand would be large. For example, in 1952 civilian requirements were 789.2 million gallons; this is 11 times the requirements in 1940. Here again the use of commercial jet planes may be a factor by the time war comes, if it does, thereby further increasing requirements above present levels.

Aviation gasoline is very different from ordinary motor fuel. Over 70% of the molecules are synthetic, not present in the original crude oil. It is a tailor-made product produced in highly specialized equipment. It is practically certain that our enemy would place oil refineries high on their target priority list. During World War II the activities of the Luftwaffe were frequently curtailed by lack of fuel and we can rest assured that this lesson was not lost on the Russians. It is impractical to store enough aviation gasoline, or any other petroleum products for that matter, to last for any appreciable period of time. Even if enough storage tanks could be built they would be prime targets for bombing and sabotage. The only assurance that the military has for a continuing supply of petroleum products is continuing production.

If our larger oil refineries are knocked out either by bombing or sabotage, as would seem probable, it will be imperative to get them back into operation at the earliest possible moment. Because of the extreme complexity of these operations the availability of trained and experienced engineers will be a must if disaster strikes. We cannot expect that all kinds of spare parts will be immediately available at the location of trouble. It will be necessary to exert great ingenuity and resort to makeshift operations. The problems would be completely beyond the abilities of ordinary production workers. The job would be impossible of achievement if our scientists and engineers were in the military services.

I wish I could convey to you an adequate picture of the complexity of these plants. Cost does not tell the story adequately but it might be interesting to note that a new refinery designed to maximum production of high grade aviation gasoline would cost between $10,000 and $20,000 per daily barrel of aviation gasoline produced at present labor and material costs, the variation depending upon the volumes of other products required, permissible final product cost, the nature of raw material available and other factors. Thus, a plant to produce 10,000 barrels per day would cost from $100 million to $200 million and would take about two years to build, beginning with the time a decision was reached to go ahead. Ten thousand barrels per day is only a small fraction of the total requirements. Consider, for example, that a B-36 bomber burns about 750 gallons of this high-grade fuel every hour it is in the air. Flights of 24 hours or more are not uncommon requiring 18,000 gallons or about 450 barrels for a single flight of just one plane. Ten thousand barrels per day at a cost of perhaps $150 million doesn't go far at this rate. The important thing, however, is not the money but the requirements for scientists and engineers in order to get the job done at all, especially if some of our refineries are knocked out. Long before an emergency arrives an orderly procedure of selection must be established to insure that people with specialized training will be encouraged to go or stay where they can do the most good for the country.

I have used the oil industry as an example of a process industry, but there are many others. Synthetic rubber, chemicals, plastics, and production of most metals are other examples. These industries cannot operate at maximum efficiency without adequate technical help and in case of disaster they also would have to have many engineers to get back in business.

Consider, also, the things which industry is called on to do when an emergency arrives. During World War II, and before, some phenomenal technical developments were accomplished. When the supply of natural rubber was cut off a whole new industry was developed to produce synthetic rubber. Research in this field had been going on for some time but the exigencies of war pushed this development faster than would otherwise have happened. Engineers and scientists had to stick their necks out to build the synthetic rubber plants. They really didn't have enough data, at least by normal standards. But they went ahead and the plants worked. You can't do this without technically trained and experienced people.

The Atomic Bomb

The outstanding technical accomplishment of all time was probably the development of the atomic bomb. Just think, for a moment, that plants were built at Oak Ridge, Hanford, Los Alamos, and elsewhere which cost more than a billion dollars. All of this was done at a time when nobody had ever seen the product they were going to produce. Scientists said the product was there. Engineers said they could build the plant. So they went ahead and developed the most fearsome weapon in history. Also they opened the way for a whole new technology which will be of great benefit to all of us and even more to our children. I'm sure General Groves would tell you that, while he had many, he never had enough scientists and engineers for this project. He got a remarkable job done in remarkably short time, but I'm sure he still wonders how much sooner he might have gotten it done if he could have had more technical help. Certainly the job would have been impossible without calling on such organizations as du Pont and Carbide for thousands of technically trained people. We must not take any action that would make it impossible to build up such technical staffs who can be called upon in times of emergency.

In my own company, during World War II, we were suddenly, without any warning, called upon to take a small part in the atom bomb program. Nothing could have been farther from our normal business. But somebody decided that we had a competent staff of scientists and engineers so they gave us a job to do. Of course we accepted it, but the point is that we had about 25 technically trained people accustomed to working together that we could put on the job. If these men had been in the military services the job could not have been done.

I've talked about synthetic rubber, atomic energy and the petroleum industry. These are only examples. The aircraft industry needs very large numbers of en-

Continued on page 48

*An address by Mr. Wilson given at the Military-Industrial Conference, session on "The Development and Utilization of Our Technical Manpower," Chicago, Illinois, Feb. 10, 1955.

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Administration's Problems And Its Accomplishments

By GEORGE M. HUMPHREY*
Secretary of the Treasury

Secretary Humphrey, in stating the goal of the Eisenhower Administration is to keep alive and vigorous the priceless principles of free competitive enterprise and initiative, lists what he calls "some unspectacular things" the Administration has been helping to accomplish during the past two years. Says progress has been made in reducing waste and extravagance in government.

The problems and accomplishments I speak of are the problems of every citizen, and the accomplishments are the work of all who, by their own efforts, have helped to build soundness and opportunity by hard work and honest endeavor.


George M. Humphrey

I am going to talk to you not of headlines, controversy, and crises, but of the quiet, undramatic, progressive developments that are going on all around us in America. There have been no headlines to tell you that more than 60 million Americans are working at jobs of their own choosing—jobs that they are free to leave or change if and whenever they so desire. There are no headlines to tell you that about 55% of the 47 millions of families in America own their own homes, that Americans have savings of $80 billion in life insurance policies; almost $50 billion in U. S. Savings Bonds, and $25 billion in retirement pension funds. There are no headlines to remind you that stringent wartime government controls no longer hamper or restrict the individual or the businessman. And there are no headlines to herald the stirring return of confidence of Americans in their government, in each other, and in our ability and strength to do whatever may be required of us in any emergency.

I am even more encouraged to talk about these simple principles that have made our country great when I read over the list of names of those who have been previous recipients of the William Penn Award, showing that the Philadelphia Chamber of Commerce over the years has been honoring men who stand for the same principles of free competitive enterprise and initiative which we now believe are basic to our American way of life—the way of life which has yet to be surpassed anywhere in this world of ours.

It has been a dedicated goal of the Eisenhower Administration to keep alive and vigorous the priceless principles of free, competitive enterprise and initiative. But we must do more than keep them alive and vigorous. We must keep them growing and always developing the new things and the better ways of doing things which have made this nation great.

What has been done in encouraging initiative and enterprise has not been sensational or dramatic. But it has been important to every American in his daily life. It is important to the standard of living of every American worker and his loved ones. And it is vitally important to the defense of all Americans against any possible enemy attack, for the power and strength of American industrial capacity is the very foundation of our security.

It is often true that "good news" is "no news" to attract public attention in the daily news outlets of press, radio, and TV. Yet the quiet, undramatic, progressive developments that are going on in America—without making sensational news — are important for the present and future of our people.

I have no quarrel with what makes news. I make these observations only as a reason for talking a little now about some of the constructive things that have been done during the past two years—important things which are worth mentioning because they do not draw the attention that controversy and violence do.

Some Unspectacular Things

What are some of these unspectacular things that this Administration has been helping to accomplish during the past two years?

The undramatic but steady and healthy progress which has been going on in this country has increased the confidence of all Americans in the possibilities of our future. This increasing confidence is the most important stimulant to the development of the strength of our nation's economy, with the careful and quiet assistance of an Administration which knows that government can do relatively little except to help to properly set a stage upon which free vigorous Americans can perform.

Our nation has made the transition from a wartime high to a lower level of government spending without a major economic upset. This transition was helped substantially by heavy tax cuts and other moves stimulating confidence.

While there is still high tension in many places, there is no armed warfare between major powers at any point on the globe as of this moment. There is peace—uneasy as it is—as far as American fighting men are concerned. War in Korea has halted. War in Indo-China has ceased.

The present improved relationships in many places throughout the world have been achieved by ceaseless and dedicated pursuit of solutions for the vexing and serious widespread international problems. It is a treacherous path. Bold risks must sometimes be taken, but success to date is high proof of the competence and wisdom of the policies which have been adopted in wrestling with this problem of preserving the peace and making it more secure.

Inflation Checked

Inflation has been stopped. In the past two years the value of the dollar has changed only one-fifth of one cent. This compares with a drop in the value of the dollar from 100 cents in 1939 to only 52 cents in January 1953. All departments and many people in government have been working hard for, and insisting upon getting, our Federal spending under control. Deficits—which lead to more borrowing and so to inflation—have been cut substantially.

The Federal Reserve System has acted promptly, courageously, and wisely to adopt monetary and credit policies which have met the needs of the economy while walking the fine line between deflation and inflation. And the Treasury has done its bit in halting inflation—and avoiding deflation—by doing its borrowing so as to be as careful as possible concerning its effect upon the constructive course of the economy.

This is well illustrated by the issue and highly successful placement only a few days ago of nearly $2 billion in 40-year 3% bonds. They are the longest bonds that have been sold by the government since an issue to help pay for the Panama Canal in 1911.

There is nothing academic about the importance of keeping inflation locked out. The value of earnings and savings can be protected in no other way. Just realize that 55 out of every 100 families in America now earn more than $4,000 a year as compared with only 10 out of 100 earning $4,000 a year early in the century in terms of today's prices. And recall the millions of owners of their homes, accounts in savings banks, savings bonds, insurance policies, and pensions, of which I spoke just a moment ago. Because this nation has quietly become a nation of "haves" rather than "have nots," inflation must stay checked to protect the earnings and savings of millions of Americans.

We had a cash balance between money collected from the public and money paid out by the government last year. Although we will not have a cash balance this year, we are estimating a small surplus in the fiscal year ahead. The total debt has continued to grow because of the large deficit we inherited in our first year in office and the subsequent dificits, even though they have been much smaller. But the inflationary effect of deficit financing has been almost wholly eliminated now that most of the increase in debt is being financed by securities issued to government trust funds rather than borrowing from the public.

Balanced Budget Goal

In fiscal 1956, spending will be almost $12 billion less than in 1953. We have not yet balanced the budget. We could have done so in 1954, but a big tax cut was more stimulating to a growing economy and we believed that it was better for the people to have more of their own money left with them to spend, as they thought best, rather than to have the government spending it for them. We have cut the deficit from more than $9 billion in fiscal 1953 to what we estimate will be less than $2½ billion in 1956. We are still a year and a half away from the end of that period, and we have every hope of cutting this deficit even further if some development elsewhere in the world does not upset our plans.

There is nothing in the Formosa situation or elsewhere in the world which up to this moment has altered our budget program for reduced expenditures in the year to come. And reduced expenditures we make do not mean reduced defenses.

As the President has said, the United States is in a stronger position to defend itself against aggression than it was two years ago. The Defense Department has developed a better balanced, more mobile and flexible and effective defense establishment at lower cost to the taxpayers.

Progress has been made in reducing waste and extravagance. Obsolete equipment and supplies are being eliminated. There is much left to be done, but that does not alter the fact that much has already been accomplished. We have a far better balanced program. We are making progress in real unification in the armed services, so that competition between them is less likely to duplicate efforts and expenditures that squander both tax money and our national resources. Greater unity adds strength to our defense position.

We can and we must spend whatever is needed for our security; that is our first concern. But we know that real security does not result simply from spending huge amounts of money. The worth of our defense must be measured not by its costs but by its wisdom.

The President's decisions on our defense forces are recognition of the fact that in this age of almost unbelievable developments in science and production techniques, we cannot have a static defense committed to old-fashioned strategy and weapons. Real security for our Nation over an extended period must also rest upon a sound and growing economy.

As cuts in future expenditures all through the government's operations come clearly into sight, and if at the same time our expanding economy promises greater income with lesser rates of tax, we will look forward to further reductions in our tax structure, distributed as fairly as possible among all taxpayers.

The expectation of further tax reduction and the maintenance of sound fiscal policies are firm foundation stones creating greater confidence in our future prosperity.

These, then, have been fine, worthwhile accomplishments for the good of the Nation, its economy, and its future. They have been accomplished without fanfare or sensational controversy. In the Cabinet and in the Agency heads in this Administration, there exists a wonderful team spirit which has resulted in real accomplishment with few headline battles.

The Role of Government in Economic Affairs

The role which the government can play in the economic affairs of the Nation should be limited. Government manipulation is the antithesis of a free America, and encroachment by government in restricting the freedom of its citizens should be limited to doing, as Lincoln said, "for a community of people whatever they need to have done, but cannot do at all, or cannot so well do for themselves—in their separate and individual capacities. In all that the people can individually do for themselves, government ought not to interfere."

The future of free America lies in the initiative, the resourcefulness, the tenacity, daring, and courage of 160 million Americans, each free to choose how best he can promote his own interest and the interest and future of his loved ones in whatever way he can best devise only so long as he does not interfere with the rights of others. It is the cumulative power of this great effort which has made America great in the past and which I am convinced will drive us ahead in the future at an accelerated pace in excess of anything we have ever known before.

You and I as citizens must participate in this great drive toward a better America. As such a citizen, I am pleased and proud to accept this fine award from the Chamber of Commerce of Greater Philadelphia, and to receive it in recognition of the contributions which President Eisenhower's Administration has made to the advancement of the economy of this Nation.

*Remarks by Sec'y Humphrey following receipt of the 1954 William Penn Award of the Chamber of Commerce of Greater Philadelphia, Philadelphia, Pa., Feb. 16, 1955.

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The Paper and Pulp Industry's Stake in Freer World Trade

By J. D. ZELLERBACH*
President, Crown Zellerbach Corporation

In pointing out the remarkable growth and prosperity of the American Paper and Pulp industry during a period of declining tariff protection, prominent paper manufacturer, and self-styled former protectionist, says there is a growing awareness that freer world trade, instead of protectionism, serves the industry's as well as the nation's best interests. Holds threat of foreign competition to the paper industry has been greatly exaggerated, and concludes "it seems clear that it is in our interest to do the utmost to promote the expansion of the American economy within an expanding free world economy."

We have come a long way since I attended my first American Paper and Pulp Association meeting more than 35 years ago. Since that time our industry's output has increased some 350%, and is now about half the world production of paper and board. We have become the fifth largest industry, and the third fastest growing industry in the American economy.

J. D. Zellerbach

Today, the American paper and pulp industry is more soundly based and is more vigorous and versatile than ever before in its history.

Our remarkable growth has taken place while American tariff duties on imported paper and paper products have declined substantially. From their peak in the early 1930's, these duties have dropped by two-thirds to their present average of approximately 9%.

Yet, there has long been a strong protectionist attitude within the American Paper and Pulp Association. The voice of our industry has been raised against virtually every tariff reduction. Indeed, it has sometimes requested tariff increases. This has been the traditional public stand of our industry, even though we have kept in growing and prospering while the tariff duties declined.

Recently, there have been promising signs of change in our industry's attitude toward tariffs and world trade. Our general support of the Randall Commission report heralds a growing awareness that freer world trade, instead of protectionism, serves our best interests.

I want to do my part today in further encouraging the support of freer world trade within our Association. As a former protectionist, I want to explain why I have become convinced that the United States urgently needs to liberalize its foreign trade policy. I am strongly supporting President Eisenhower's recommendations, such as the Trade Agreements Extension Act now before the Congress, which grew out of the Randall Commission report. It seems to me that there are two principal reasons why those of us in the American paper and pulp industry should support—rather than oppose or remain indifferent to—the President's recommendations. First, I believe that as American citizens we have a **foreign policy stake** in freer world trade. Second, I believe that as industrialists we have a **commercial stake** in freer world trade.

Our Foreign Policy Stake in Freer World Trade

All of us here have a vital foreign policy stake in freer world trade. We cannot hope to survive as free men — much less operate prosperous businesses—unless the Communist drive for world domination is checked. We cannot check Communist imperialism without strong allies. And we cannot have strong allies over the long haul unless the free world is liberated from crippling and divisive trade restrictions. Thus freer world trade would strengthen and cement the free world alliance which protects our liberties as individuals and businessmen here at home.

Our foreign policy is directed at strengthening and broadening the free world alliance. We have already forged an interlocking network of mutual defense treaties with more than 40 nations. We are seeking to put muscle behind those treaty arrangements by helping build up the political and economic strength of our allies. We realize that our allies must have healthy economies to be able to resist internal Communist subversion, and to build military defenses against external Communist aggression. Thus, the economic development of the free world has become a vital task of our foreign policy effort to check communism.

But such economic development is presently fettered by a jungle of trade restrictions—tariff barriers, exchange controls, import quotas, and bureaucratic red tape. On all sides, such trade restrictions are stifling the development of the full economic potential of the free world. The Communist world, on the other hand, is driving hard to mobilize all its resources and the tremendous Soviet industrial growth sharply underscores the need for making full use of the free world's resources.

The responsibility for leadership in liberating the free world's great economic potential rests with the United States. We must lead because we alone have the political and economic power to set the course—and because our present trade restrictions are hindering the economic development of our allies. Our tariff barriers are preventing our allies from fully utilizing their economic resources by denying them a fair chance to produce and sell in the world's largest market — the United States. Our import quotas have much the same effect, especially in the agricultural field. The Buy American Act seals off more of our market by prohibiting the United States government—the free world's largest purchaser—from buying non-military goods from abroad unless they are substantially cheaper than American goods. And our cumbersome customs procedures constitute a further deterrent to imports.

A substantial part of our trade restrictions are unjustified and economically wasteful. Worse, they undercut our foreign policy. On the one hand, we urge our allies—with words and money—to develop greater economic strength so they can stabilize their governments against internal Communist subversion, and so they can contribute more men and weapons to the common defense against external Communist aggression. On the other hand, we maintain trade restrictions which handicap our allies in developing the very economic strength we are urging on them.

I have seen our trade restrictions undercut our foreign policy many times while representing the United States abroad. In Italy I had the task of stimulating production and foreign trade so that the Italians could earn their way in the world—so that they could keep a democratic government — so that they could contribute troops and weapons and bases to the North Atlantic Treaty Organization. Then I have seen us raise tariffs to prevent the Italians from selling us some of the very products we had urged them to make and export to us so they could earn dollars to buy needed American products from us. I have also seen us dump American products in traditional Italian markets. Such shortsighted actions were fully exploited by the Communists who claimed that we were two-faced about freer trade and who asserted that we were making Italy an economic vassal of the United States.

There are many other illustrations of the urgent need for squaring our trade policy with our foreign policy.

We have been striving to build up Japan as a bastion of United States and free world defense in Asia. But the Japanese still face a desparate economic situation. Japan must sustain 88 million people in an area smaller than California, with few natural resources and only 16% of its land arable. As an industrial and island economy, Japan must import raw materials and export the resultant manufactured goods. In short, Japan—like Great Britain—must trade to live.

We want the Japanese to limit their trade with Communist China for strategic reasons. But to compensate for its former large trade with mainland China, Japan must find greater outlets in the free world. Still, we resist reducing our own trade barriers which hinder Japan for competing in the world's greatest market. As a result, the Japanese are hemmed in, and — with $1 billion trade deficit and a per capita income of $190—the Japanese are on the ragged edge of economic survival.

This, in my judgment, is a deadly serious issue. We must open our markets to Japan or risk the greatest industrial nation in Asia slipping into the Communist orbit—either by the sheer necessity of trading with the Chinese Communists, or by growing economic distress leading to internal Communist subversion. Should the Communist world fall heir to Japan's great industrial capacity, vast labor force and potential military man-power—our own national security would be gravely jeopardized. By the same token, an economically healthy Japan could contribute significantly to strengthening our military and other defenses against the rampant spread of communism in Asia. Surely, our foreign policy stake in Japan is far more important than the relatively slight effect of increased Japanese imports on American business. Since we are prepared to fight for Formosa, I should think we could afford some tariff reductions to help keep Japan.

We have come to the crossroads — we must make a choice **now** whether we will lead the free world forward to widening markets and expanding production, or permit it to lapse into intensified economic nationalism and political division. The adoption of a clear-cut policy of tariff liberalization, as the President has proposed, would provide fresh impetus toward liberating the free world from crippling economic restrictions. It would be a powerful stimulant to other free nations to liberalize their own trade policies and move toward currency convertibility. On the other hand, our failure to assert such leadership would be interpreted by our allies as a retreat from our present foreign policy. As Secretary Dulles recently told the Congress, this "could set up a chain reaction which would gravely damage and disrupt the free world." It would tend to confirm the prediction of Soviet leaders that the free world will eventually tear itself apart by a naked struggle for markets and economic existence.

Each of us here has an important stake in promoting a reconciliation of our trade policy with our foreign policy. I do not see how we as citizens can shirk responsibility for carefully considering the total national interest involved in American trade policy. I do not see how we can expect to conduct business as usual for very long if we permit our protective alliances to weaken and pull apart for want of enlightened American leadership.

Our Commercial Stake in Freer World Trade

I think our foreign policy stake in freer world trade is so important that I would favor liberalizing our trade policy even if it were to our economic disadvantage. However, this is not the case. The fact is that freer world trade will strengthen rather than weaken our own economy. It will strengthen our own economy by improving our overall efficiency and by raising our standard of living.

An increased and freer flow of trade among the free nations would promote the most economical use of our own resources—just as it would promote the most economical use of our allies' resources. It would enable the United States to concentrate on producing those things we make most efficiently—and to exchange a part of our efficient production for the things we need which other people make more efficiently than we can. It is just common sense for us to trade typewriters or refrigerators for coffee or bananas — rather than try to produce the latter ourselves at exhorbitant costs. Moreover, importing goods at cheaper prices than they would cost if produced at home makes the American consumer's dollar go farther and thus raises our standard of living.

Protective tariffs interfere with this natural economic adjustment. When the tariff protects a comparatively inefficient American producer who could not otherwise compete in the American market with a more efficient foreign producer, all of us — as industrialists and as consumers—are paying artificially high prices to subsidize the inefficient American producer. I see no good reason for this, except where it is really necessary to protect key national defense industries. Our economy would be considerably strengthened if we paid lower prices for the more efficiently produced foreign goods—and if

Continued on page 38

*An address by Mr. Zellerbach before the Open Industry Meeting of the American Paper and Pulp Association, New York City, Feb. 23, 1955.

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March 1, 1955.

Puerto Rico's Achievements In Economic Development

By GUILLERMO RODRIGUEZ*

President, Government Development Bank for Puerto Rico

Leading Puerto Rican banker discusses aims and accomplishments of what is called "Operation Bootstrap" in that island. Describes activities of Puerto Rico's Economic Development Administration and other governmental agencies assisting in the movement. Lists legislation creating a favorable investment climate in Puerto Rico, and concludes the Commonwealth of Puerto Rico maintains an "open door" policy to stimulate private initiative and attract both capital and technical skill.

Certain facts will help put in relief the development of Puerto Rico's economy in recent years. Net income per capita rose from $125 in 1940 to $430 in 1954; gross product of the economy from $277 million to $1,172,000,000; total wages and salaries from $121 million to $567 million; business profits from $75 million to $352 million in 1954; bank resources from $93 to $393 million; external trade from $200 million to $860 million; and government revenues rose from $35 million to $147 million in the same period. Other indices show similar progress. As to industrial development proper, 302 new industrial plants offer definite promise of the eventual solution of our economic problems.

Guillermo Rodriguez

For four centuries Puerto Rico developed under Spanish sovereignty and for a far shorter period under U. S. sovereignty. It was in 1952 that the people of Puerto Rico founded the Commonwealth in voluntary association with the United States, adopted their own Constitution, established the principle of their sovereignty, and thus resolved their political status.

The deep rooted Hispanic culture, which we preserve with pride, received the stimulus of the North American culture during the last 50 years. The Puerto Rican people began to assert their own personality when in 1940, with an overwhelming majority of its votes, it supported the program of the Popular Democratic Party organized by Luis Munoz Marin, who affirmed that pressing social and economic reform in Puerto Rico took precedence over the determination of its political status.

"Operation Bootstrap"

The initial stages of what we now call "Operation Bootstrap" were difficult. Investment habits centered on agriculture, commerce and real estate. It appeared virtually impossible to attract capital for investment in new industries. The government had to break the ice by establishing and operating factories which were later sold to private Puerto Rican investors. Once free of routine operating problems, those responsible for directing the development program were able to give their full attention to the promotion of private investment.

Thus, while by 1947 only 21 new industrial plants had been established as a result of five years of work; by 1954 the figure had risen to 302.

Fortunately, this program has grown in geometric progression. As the number of plants increases, the establishment of more new plants becomes easier. As the years pass, new obstacles are removed. Today, industrial investments are made in Puerto Rico by U. S. insurance companies and pension funds in amounts that were inconceivable three or four years ago.

We do not have a large market for industrial products on our small island, much less do we have large supplies of raw materials. Thus, we do not try to develop a self-contained economy. Instead of trying to produce everything we consume, we believe it more practical to specialize in the production of fewer, more selective items. Our industry must develop under the pressure of efficient American competition. As a result, we develop intensively our external trade.

Around the two fundamental advantages which Puerto Rico offers—abundant labor supply and powerful tax incentives—we have created an active promotional program. It includes these things:

(1) Intensive publicity by radio, by television and by motion pictures, and in newspapers throughout the nation;

(2) Newspaper and magazine advertising in the large manufacturing centers of the United States of our industrial advantages;

(3) Intensive distribution of literature containing facts of interest to manufacturers and investors; and

(4) Maintenance of promotion offices in New York, Chicago, and Los Angeles, from which a large staff of industrial representatives make daily visits to U. S. manufacturers to try to convince them of the advantages of establishing in Puerto Rico.

In these activities the Commonwealth Government expends more than $1 million every year. This refers only to promotional expenses, not to capital expenditures.

Much of this could be done advantageously by other areas interested in attracting outside capital. For those who would like to go into the subject in further detail, we have organized an exhibit of "Operation Bootstrap" on display in the Masonic Hall here.

Assisting Governmental Agencies

Spearheading "Operation Bootstrap" is the Economic Development Administration. In addition to the already described activities, it conducts in Puerto Rico extensive programs of aid-to-industry, extending from labor training to advice on production techniques.

Two other governmental agencies participate in the Operation. The Puerto Rico Industrial Development Company, capitalized at $50 million, uses its resources chiefly in the construction of rental factory buildings, but also provides other forms of financial assistance. The Government Development Bank, with capital and reserves of $30 million, provides long-term loans to industry.

It cannot escape your attention that a program of industrial development must be accompanied by the expansion of other phases of the economy. Thus, the Puerto Rico Water Resources Authority, created to provide abundant electric power, increased the energy generated from 161 million kilowatt hours in 1940 to 851 million in 1954. An abundance of water supply is equally essential to an industrial program. Our Aqueduct and Sewer Authority has doubled the potable supply within the past 10 years.

We have established agencies for expanding and improving our agricultural resources, which are basic to any program of economic growth. Time does not permit me to go into greater detail on the agricultural program, which thus far has not been as successful as our industrial program. We are still seeking satisfactory solutions to this problem.

Legislation Creating a Favorable Investment Climate

This picture would not be complete if I failed to mention the need for developing the legislation that will create the climate in which modern industrial, financial and commercial activities can thrive. In Puerto Rico we have adopted, or are in the process of approving, modern laws of labor relations; a new income tax law; and investment company act; a new corporation law; a factor's lien act; an accounts receivable act; and others of a similar character which we believe are essential.

Puerto Rico has not passed from poverty to plenty in 14 years. Although trails have been broken, more remains to be done than has been done. "Operation Bootstrap" has set a goal of 500 new factories; of 74,000 new jobs; of a $2 billion gross product, all by 1960.

A program of economic development that does not have deep roots in the mass of the people has no significance and no permanence. In Puerto Rico we consider the mental and physical health of the individual the central theme of all our efforts. More than half of our public resources are dedicated to health and education. Thus school enrollment, in a population of 2,200,000, increased from 300,000 in 1910 to 550,000 in 1954 and life expectancy increased from 46 years in 1940 to 64 years in 1954.

Resolute in adversity; firm in will; profoundly democratic; thirsty for knowledge; appreciative to the ideas of others; these are qualities that describe the Puerto Rican people. The Commonwealth of Puerto Rico maintains an "open door" policy with regard to both capital and technology, and stimulates private initiative. It proposes that the benefits of economic expansion will be spread among all of the people. Our conviction that we are building on a solid foundation rests on the ever present resolution that economic development must serve the people.

*An address by Mr. Rodriguez at the Panel Discussion of the Inter-American Investment Conference, New Orleans, La., March 1, 1955.

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W. E. Tague Joins Barrett Herrick Co.

W. Edward Tague

Barrett Herrick & Co., Inc., 35 Wall Street, New York City, have announced that W. Edward Tague has joined the firm to assist in the underwriting department and wholesale dealer relationships.

Mr. Tague previously was associated with A. C. Allyn & Co.

Frank Thorne Joins Darwin H. Clark Co.

LOS ANGELES, Calif.—Frank Thorne, prominent technical writer and authority on advertising production, has joined the staff of Darwin H. Clark Co., 1145 West Sixth Street, advertising agency, as a technical writer and production manager. For the past five years, he has been advertising manager of Baker Oil Tools, Inc. of Los Angeles and Houston. Mr. Thorne, who speaks five languages, has written many articles on petroleum, including "The History of California Oil" for the American Petroleum Institute Quarterly and a similar article for the 50th Anniversary Issue of "Westways." For 10 years previous, he was with the United States Corps of Engineers and was chief administrative assistant of the Fifth District Region with headquarters in Santa Maria, California. In this capacity, he was in charge of all administrative work in connection with approximately $150,000,000 of construction, including Camp San Luis Obispo, Camp Cook, Hoff General Hospital and Santa Maria Military Air Base. He knows printing production thoroughly having served an apprenticeship in his father's printing plant in Los Angeles.

Joins Davidson Staff

(Special to THE FINANCIAL CHRONICLE)

FRESNO, Calif. — John M. Kubota is now affiliated with Davidson & Co., 925-C North Fulton Street. He was previously with Taiyo Securities Company.

With Mutual Fund Assoc.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Paul L. Gerber has become connected with Mutual Fund Associates, 444 Montgomery Street.

Lynn E. Gochenour

Lynn W. Gochenour, partner of Lamson Bros. & Co., passed away on Feb. 17.

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Stocks Follow Bond Prices

By B. BARRET GRIFFITH and BRUCE ELLSWORTH
John H. Lewis & Co.
New York and Colorado Springs, Colo.
Members New York Stock Exchange

Authors present data relating to fluctuations and trends of stock and bond prices, and conclude that, on swings of several months to a couple of years, bonds often turn before stocks, but in the long cycles, the trends in bond and stock prices are mutually independent, though "stocks still follow bond prices."

"On swings of several months to a couple of years, bonds often do turn before stocks" and "the long cycle in bonds and trends in the stock market are mutually independent." These conclusions are generally accepted, but may be overlooked at times. The rising trend in interest rates during the last several months raises a question as to whether or not interest rates and bond prices now are giving an indication of a turn in stocks.

B. Barret Griffith

Bruce Ellsworth

The accompanying chart shows the trend of yields on three month Treasury bills, long-term Treasury bonds, low grade corporate bonds, and common stocks weekly since January of 1954. The yields are charted inversely to reflect changes in price. From the chart, we note that Treasury bills declined from yielding slightly over 1¼% at the start of 1954 to about ⅝% in June. Since then the yield has advanced to more than 1¼% and moved erratically since then. Long-term Treasury bonds have declined in price, increased in yield, since last July. Lower quality corporate bonds advanced slightly in price until early in December, while common stocks continued in a strong upward price trend, declining yields, through the end of January. Throughout 1954, yield and price relationships between the highest grade investment mediums and lower quality issues have followed customary patterns. The question is whether or not the price tops for Treasury bills last summer, Treasury bonds about a month later, and lower quality corporate bonds early in December indicate that common stock prices have recently, or will shortly, form price tops of more than passing importance.

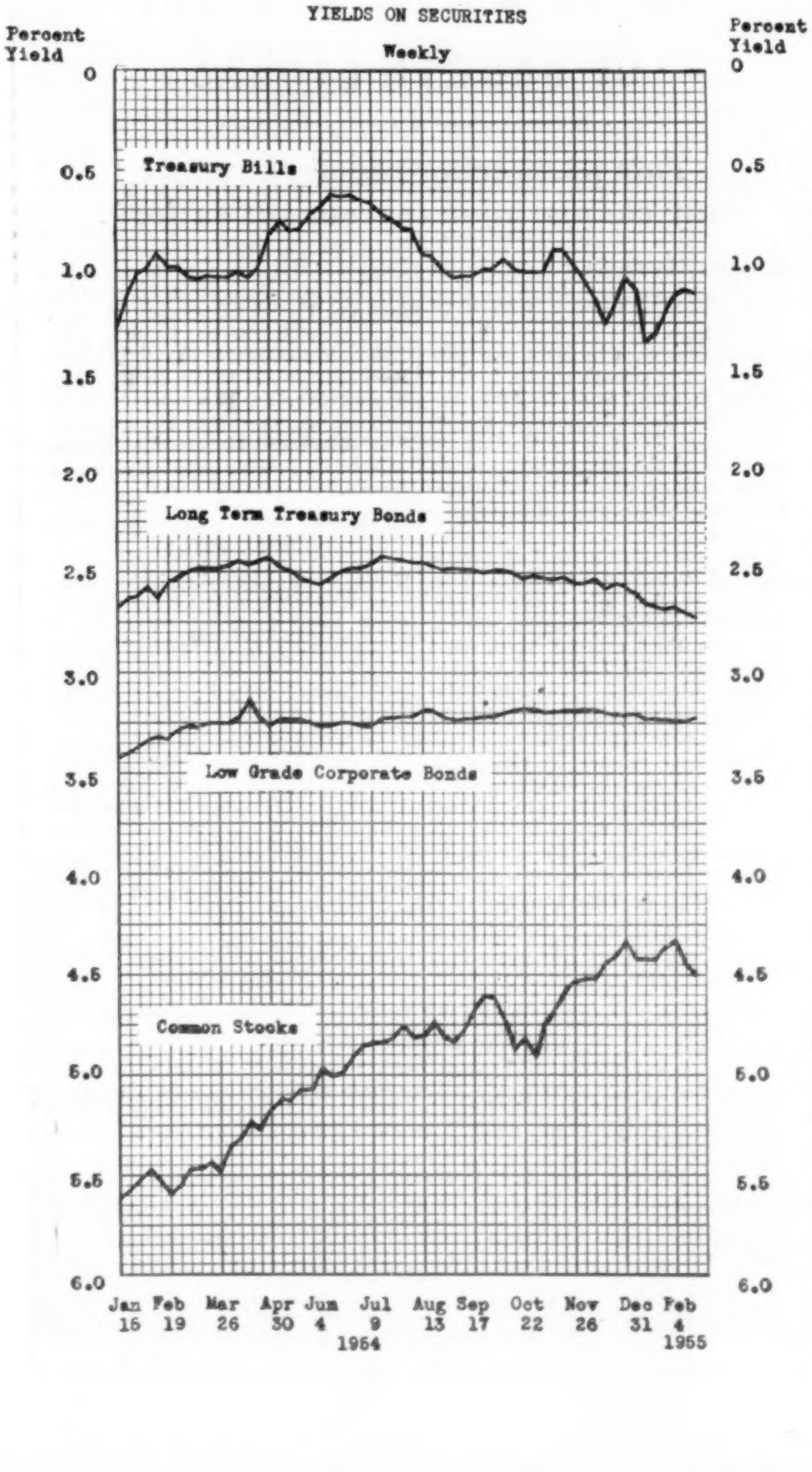
Because the Federal Reserve is the primary controlling influence in the money market under present conditions, it is worthwhile to review their actions. Recently, officials have indicated that the Board favors money ease over its former policy of active money ease. When the Federal Reserve moved to active money ease in 1953, borrowings by the nation's banks from the Federal Reserve Banks exceeded their reserves by some $700 million. Obviously, bond prices were depressed at the time because the money situation encouraged banks to liquidate investments to pay off their indebtedness to the Reserve Banks. Since early 1953 the situation has reversed itself. Active money ease has resulted in excess reserves for the nation's banks over and above the bank's borrowings from Reserve Banks. From May, 1953 to December, 1954 holdings of U. S. Government securities by Federal Reserve Weekly Reporting Banks were increased by about $9 billion.

There is now no pressure on banks to liquidate overall investments. However, neither is there incentive for banks to buy more bonds if the Federal Reserve does not further increase the supply of money and credit. Consequently, higher bond prices appear doubtful. In fact, if the money supply remains about the same, increasing competition for it in the form of loans to reviving businesss and the growing supply of mortgages will have a depressing effect on bond prices. The effect of these forces at work is evident in the recent decline in bond prices and the reduction of about $2 billion in Weekly Reporting Banks' holdings of government issues since December, 1954.

At the moment there are reasons for tentatively concluding that the decline which began early last summer in high grade bond prices is fundamental in nature and will later be regarded as a renewal of the primary trend toward higher interest rates which theoretically can be said to have started early in 1946. The dilemma of the money managers, who will undoubtedly do their best to choose a middle course between either inflation, or deflation, calls the attention of common stock investors to watch closely the trend of bonds during the weeks ahead. Without becoming too involved in the study of monetary factors, common stock investors might tentatively conclude that until Treasury bills and long-term Government bonds advance in price, investment commitments in stocks generally are unwarranted.

The recent experience in London emphasizes the conclusion that "stock prices still follow bond prices." The 2½% Consols reached a high in October, 1954, and declined abruptly, losing about half of the ground gained during the previous bull market that had lasted since May, 1952. Stock prices continued to advance until early February, 1955. Since that date the "Financial Times" Average has declined some 10%.

YIELDS ON SECURITIES
Weekly



With Shearson, Hammill

(Special to THE FINANCIAL CHRONICLE)

SANTA BARBARA, Calif. — George L. dePeyster is now with Shearson, Hammill & Co., 1006 Anacapa Street.

Columbia Securities Co.

SALT LAKE CITY, Utah — Columbia Securities Company is engaging in a securities business from offices at 345 South State Street. Officers are William B. Feinberg, President; Richard L. McGillis, Vice-President; and Zeke Snyder, Secretary.

With California Investors

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Solly Black has been added to the staff of California Investors, 3924 Wilshire Boulevard.

Supervised Executive Fund Formed in Montreal

MONTREAL, Canada — Supervised Executive Fund (1955) Ltd. has been organized, with offices in the Royal Bank Building to provide executives, professional men and others with an investment medium combining compounding of income with potential capital growth and also permitting them to defer receipt of a part of their income to a time when their income from other sources may be less.

The Fund is an investment company with redeemable common shares. It accumulates and re-invests the income from its investments. This accumulated income is available for distribution to shareholders in the years in which they individually elect to redeem shares and thus is planned to offer a useful income tax status.

Officers of the Fund are: Lionel A. Forsyth (President of Dominion Steel & Coal Corp., Ltd.), Chairman; H. Carson Flood (partner of Flood & Company), President; Elliott M. Little (President, Anglo Canadian Pulp & Paper Mills Limited), Vice-President; Joseph M. Breen (President of Canada Cement Company Limited); Harry J. Carmichael (Vice-President of the Toronto Dominion Bank); John G. Porteous (partner of McMichael, Common, Howard, Ker & Cate), Secretary; Jean Raymond; John Charles Rogers (President of H. C. Flood & Co. Limited), Managing Director.

Edward Williams Now With Kormendi & Co.

Kormendi & Co., Inc., dealers and distributors of investment securities, announce that Edward H. Williams is now associated with the firm as Vice-President and Manager of the municipal bond department. The firm has moved from temporary offices at 60 Broad Street to permanent headquarters at 70 Pine Street, New York City.

Mr. Williams, a veteran of many years in the securities business, was previously with Drake & Co., municipal bond brokers. Prior thereto, he was associated with H. M. Byllesby and Company, Inc. and Kidder, Peabody & Co., where he managed the municipal bond departments.

With Marache, Dofflemyre

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—James C. Flanagan has become associated with Marache, Dofflemyre & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Flanagan was previously with First California Company and Standard Investment Company of California.

Holt & Collins Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Richard I. Cottrell has become associated with Holt & Collins, Russ Building, members of the San Francisco Stock Exchange. Mr. Cottrell was previously with Merrill Lynch, Pierce, Fenner & Beane.

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NEW ISSUE March 3, 1955

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The several Underwriters have agreed, subject to certain conditions, to purchase any unsubscribed shares and, both during and following the subscription period, may offer shares of Common Stock as set forth in the Prospectus.

Copies of the Prospectus may be obtained from any of the several underwriters only in States in which such underwriters are qualified to act as dealers in securities and in which such Prospectus may legally be distributed.

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THE MARKET . . . AND YOU

By WALLACE STREETE

Stocks were back dabbling with their highs again this week, but the enthusiasm was somewhat restrained and it was pretty much left to the rails to pave the way into strange territory by nudging the reading to a quarter century high. Industrials had a little trouble with the old mark of a couple of weeks ago, which was the highest in history. They all but made it one day, only to miss by a few cents finally when enough selling elsewhere shaded their gains a bit.

* * *

Aircrafts were the dour note with enough stop-loss orders around so that every once in awhile the group has a sinking spell that looks drastic for a bit. But usually recovery sets in somewhat quickly to minimize the damage. At least temporarily, however, the uninterrupted upward flights are a thing of the past.

* * *

General Dynamics, no newcomer to erratic action and wide swings, sagged rather badly on occasion but steadied without too much delay. Because of its erratic habits recently, the issue is somewhat further under its high than the others, a matter of around 30 points.

* * *

Rails Favored

The rails with the help of good January earnings reports showed more sustained demand than has been the rule all year so far. Not only the quality issues, with Delaware & Hudson a bit more prominent in this section, but even the long-frowned-on Eastern roads — Central, Pennsylvania and Baltimore & Ohio — were favored by somewhat persistent demand. Pennsylvania, particularly, has been heavily traded and has the distinction of having shown weekly volume of around a third of a million shares three times so far this year.

* * *

Steels were in somewhat steady favor, too. And again it is based on solid fundamentals, particularly the high level of activities for the first quarter, which is largely due to the volume output of the automakers. Bethlehem Steel was a market bellwether on strength, a share of the fame woven around the guessing game of whether it will eventually be able to merge with Youngstown Sheet. Armco Steel, which has been doing somewhat better than the industry generally, has reflected it marketwise although Armco is in the odd position of knowing that its first quarter statement will not make as favorable a comparison as some of the others because it also operated at a better rate in the first quarter last year than the industry as a whole. Some of the specialty companies, including Granite City and Superior Steel, were also able to stand out this week.

* * *

The split prospects were still sought and featured in some wide moves. Reynolds Metals in particular was able to turn in some spectacular moves that aren't wholly justified by its good but not sensational earnings report. The stock added up a couple of nine-point gains net in a couple of buoyant sessions.

* * *

Bluest Blue Chip

Superior Oil was another sensation, its even wider moves dimmed only slightly by its far higher price bracket. The issue crossed the $1,000 mark for the first time in its history with a rush this week, the level reached on one day's gain of more than 90 points plus an additional 40-odd points the next day. It succeeded in working to a current position as the highest-priced issue on the New York Stock Exchange where Coca-Cola International has long held sway. Coca-Cola International, however, has come on rough ways recently and is currently bid around $900 after having traded at a peak of $1,332 in 1948.

* * *

American Telephone, despite all the company denials and the fact that no immediate benefits to the company can be cited in any split, continued to be a red-hot split topic. The stock pushed to its best reading since the peak of the 1946 bull market swing, a fraction over $200, with only a bit more than a dozen points to go to equal that price. That Telephone has been behind the market by some measurements for a long time is generally agreed in the Street. But its spirited action was too much to lay to even the multi-million dollar air defense network contract awarded its Western Electric subsidiary, as far as majority opinion is concerned.

* * *

Western Union was something of a feature in the other communications issues and on a January earnings report that showed better results than the first two months of last year combined it added a handful of points which is rather extreme action for this issue. Incidentally, there was once a minority school around that rather freely predicted that Western Union had enough potential merit to sell at a better price than American Telephone. It at least achieved a standing half as high as the famous Bell issue commanded this week, which is good going in view of some rather poor market performances years back.

* * *

Some rather dormant issues of recent weeks were in the limelight on fat gains, not the least being Procter & Gamble, Sunshine Biscuits, U. S. Freight, Warren Foundry and U. S. Playing Card — an assorted list.

* * *

Oils Indecisive

Oils have been having trouble building up widespread popularity for some time with occasional flareups on rumors of various deals able momentarily to give a lift to such as Texas Gulf Producing, Deep Rock Oil, Richfield and Pacific Western Oil. For the greater bulk of this large division, however, little decisive action was the pattern. Part-time strength in a few of the old favorites, like Amerada, ran out of steam somewhat quickly and backing and filling set in again.

* * *

Consolidation patterns also seems apparent in the recently buoyant cement issues, the electrical manufacturing shares, the motors in view of their impending labor troubles and the chemicals. Tobaccos were another group that found little incentive to do much, although American Tobacco derived a mild lift out of a good earnings report that was a little better than a merely temporary phenomenon.

* * *

Utilities in their quiet way were able to outperform the industrials despite some indications that institutional investors had turned a bit sour on them as new commitments. Some of the natural gas shares did a bit better on hints that the government might re-examine its regulatory reins and the utility average posted a modern-day high, best since 1930, but still far below the 1929 peak when the components of the average were largely the old-time utility holding companies. The wide-moving member of this group, Panhandle Eastern Pipe Line, continued to supply the larger daily changes but without anything decisive about it and well below its peak for the last 14 months.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Wm. J. McGregor Now With Taylor & Co.

CHICAGO, Ill.—Effective as of March 1, 1955, Mr. William J. McGregor became associated with the trading department of Taylor & Co., 105 South La Salle Street, members of the Midwest Stock Exchange, as a registered representative. Mr. McGregor has had 9 years experience on La Salle St. as a Trader, his latest association being with Glore, Forgan & Co. He is a member of the National Security Traders Association.

William J. McGregor

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If you have money in the stock market—or are seeking new capital for your business—be sure to read "Unrealized Potentials in Growth Stocks" in the March-April issue of HARVARD BUSINESS REVIEW.

ALSO IN THIS ISSUE

Robert W. Anderson's exclusive report is just one of the important articles in the new issue of the BUSINESS REVIEW. Others—all written by top business authorities—include: PLANT LOCATION—1965 . . . PROS AND CONS OF LEASING . . . OBSERVING PEOPLE . . . TIMING YOUR RETIREMENT . . . MAKE OR BUY RE-EXAMINED . . . ELECTRONIC COMPUTERS: A PROGRESS REPORT . . . CAN MOSCOW MATCH US INDUSTRIALLY? . . . THE PRODUCT AND THE BRAND.

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We Cannot Take Economic Stability for Granted!

By FRAZAR B. WILDE*

Chairman, Research and Policy Committee, CED
President, Connecticut General Life Insurance Company

Spokesman for the Committee on Economic Development, though approving in general the President's Economic Report, cautions against drawing conclusion that the Business Cycle has been tamed. Gives as reasons for non-complacency: (1) the question whether in 1953-4 there were strong forces making for a depression; (2) no two economc adjustments are exactly the same; and (3) correct timing is difficult. Concludes, greatest aid government can give business is to stimulate confidence and encourage a favorable climate for it.

To a large extent the propositions of this very lucid Economic Report are in accord with Committee for Economic Development policies. We share the Economic Report's enthusiasm for the success of the policies that guided the economy through 1953 and 1954.

Frazar B. Wilde

A year ago in testimony before this Committee, our diagnosis of the economy led us to caution equally against drift and against precipitate action. We placed our reliance on a flexible monetary policy and on moderate tax reduction with emphasis on increasing incentives as a means of supplementing automatic stabilizers in the job of keeping the economy stable. As the President's report fully appreciates, these measures were no substitute for sustained confidence on the part of the public and the business community. But the fact that the Administration was not indifferent and yet was not stampeded into the use of more drastic measures tended to strengthen confidence, particularly in the business community; and the confidence of business and businessmen makes for confidence on the part of the employees of business and the public generally.

While there is much reason for satisfaction in view of this record, it would be reckless to draw the conclusion that the business cycle has been tamed. Happily, while accenting the progress that has been made, the report stops short of this conclusion.

There are at least three reasons for not being too complacent about our accomplishment:

First, it is questionable whether the economy in 1953-54 was subjected to really strong forces making for depression. The President's report identifies inventory adjustments in the wake of the Korean War as the primary brake on economic activity. This brake was supplemented by a fairly sharp drop in government buying for defense. As a result of these downward forces our stabilizing machinery was set in motion. The machinery performed very well, but it did not have to cope with strong downward movements in plant and equipment outlays or in residential construction which were relatively stable or increasing. The year 1954 probably did not provide a serious enough test to warrant giving our present stabilizing machinery an unlimited guarantee for the future.

Second, no two economic adjustments are exactly the same. Because the decisions taken this time turned out to be right does not mean that the same decisions will be right next time. The country must always have ready stabilizing measures appropriate to the occasion. Each situation we face will prove in some way unique. Therefore, success in maintaining stability will in large measure depend on the versatility of stabilizing machinery .

Finally, of course, we must be ready to act in time. The success of the past two years clearly shows that timing is all-important in maintaining stability. The record on this score in 1954 was very good.

It is important to realize that successful timing depends less on ability to forecast the future than it does on being ready, willing and able to get stabilizing machinery in motion when the economic indicators clearly call for it. If we could rely on economic forecasting to tell accurately what is in store in the months ahead, there would be no trouble in knowing when to act and the degree of action needed. But forecasting is, at best, an uncertain servant. We are faced with the necessity of being ready to act promptly in situations that have not been foreseen.

Forecasting does have a part to play in the quest for stability, but it should never be master of our actions. We run great risks in tying policy closely to forecasts, and the President rightfully sounds many notes of caution in his report about the uncertainties and pitfalls of prognostication. The emphasis is better put on strengthening the automatic stabilizers in our economy. This provides insurance of two kinds: insurance against the dangers inherent in misreading the economic future, and insurance against an Administration that might not be quite so ready, willing and able to act as this one has been.

None of this is to deny the heartening progress that has been made. We have made progress along the road to stability. We cannot, however, take economic stability for granted. Neither can we take economic growth for granted. At different times it may be appropriate to place more emphasis on one than on the other. But we cannot call either problem "solved." We haven't licked the business cycle yet. We haven't achieved pushbutton economic growth.

Turning from the past to the present, the report recognizes—and properly so — that in times like these, the government must be prepared to throw its weight against too much inflation as against too much deflation. The report rightly warns that economic recovery must not be jeopardized by too much speculation. It is equally prudent to say, as the report does, that government much remain ready to deal with any setback that may develop.

The underlying strength of the current recovery certainly makes sensible the government's refusal now "to impart an immediate upward thrust to general economic activity." While too much and too early is as dangerous as too little and too late, the retreat from "active ease" to an easy money policy and the recent offer in exchange of a long-term government security seem appropriate and consistent actions at this time.

The 33 specific recommendations in the report cannot be discussed in detail here. Many of these recommendations, however, are in line with positions CED has taken in the past. Others, such as the government's plans for improving the nation's highway system — an important subject for economic and military reasons and for the continued development of the mode of living in this country — are currently under study in CED. Without doubt, a comprehensive, long-range program for the improvement of the highway system will be a very valuable contribution to our economy. Still others we have not yet had a chance to explore.

Of particular interest to us are the numerous suggestions the report makes for strengthening the automatic stabilizers in our economy and otherwise increasing our insulation against depression. CED presented a comprehensive program to this same end last year in its policy statement, "Defense Against Recession."

The report's recommendations for extending unemployment insurance to state and local government employees and to firms employing fewer than four persons have our agreement. So do the recommendations for revising upward the duration and amount of unemployment insurance benefits. In some cases, however, unjustified drains upon the funds could be reduced by better administration and by reconsideration of eligibility rules. These benefits are, of course, paid for non-production. Every inducement should be made for the individual to seek work. Conserving the funds in these ways will offset, at least in part, the increased costs resulting from higher benefits and longer benefit periods. An extension of Federal Old-Age and Survivors Insurance to Federal personnel would also be consistent with CED's program.

We believe with the report that state and local tax rate and debt limiting statutes should be reviewed, with an eye to relaxing unnecessary barriers to local investment when circumstances clearly call for action. Similarly the Federal debt limit should not be allowed to prevent the government from pursuing an orderly debt-management program or from carrying out an effective anti-recession policy. Governments need flexibility to meet the changes in our economy.

An up-to-date reserve of plans for Federal public works projects, as well as the establishment of a revolving fund to aid States and municipalities in planning a backlog of construction projects is clearly desirable.

Finally, the report's request for great latitude for the President in the exercise of his power to vary, in the light of economic conditions, the terms on which home mortgages are underwritten by the Federal Government is prudent counsel. This authority should be promptly granted.

The fact that the government is making these recommendations at a time when the economic outlook is buoyant is encouraging. The very existence of ready reserves against recession is an added source of confidence that serious recession will be avoided in the future.

The report's recommendation to postpone the lowering of the corporate income tax and of excises, scheduled for April 1, is currently being studied by a CED committee. We plan to have a statement on the subject ready before April 1. The report's recommendations involving changes in the tax rates imposed on corporation income from foreign sources are generally consistent with our position that the tax system should encourage foreign investment, although the CED took no position on the specific proposals contained in the report.

The CED, last fall, recommended a gradual and selective reduction in tariffs along the general lines proposed by the President and reviewed in this report. We are also on record as favoring equitable standards for the valuation of imported goods for customs purposes.

Finally, let me repeat that of all the things that government can do to help a growing and successful economy, the greatest is to stimulate confidence and encourage a favorable climate. Intangibles can be just as real and just as important as other elements in our search for growth and stability Government can do a great deal to shape the environment and the psychology which breeds success. The government needs to continue its practice of encouraging maximum cooperation among labor, management, and capital.

A friendly, constructive atmosphere not only makes for pleasant living in a country, but establishes an environment where men and women enjoy their work better, where management is more apt to recommend expansion and development of new products and new business, and capital is willing to invest its share to the end that we may ward off the enemy and at the same time enjoy an increased standard of living.

*A statement by Mr. Wilde, submitted to the Joint Congressional Committee on the Economic Report, Feb. 16, 1955.

Breech to Address Financial Writers

Ernest R. Breech, first board Chairman of the Ford Motor Company, will be the guest speaker at a dinner of the New York Financial Writers' Association, Monday, April 11, at the Hotel Sheraton Astor, New York City. The meeting, which is expected to be the largest interim dinner in the Association's 17-year-history, will be attended by leaders in business and finance, it was announced by Thomas J. Keller, President of the Association.

Ernest R. Breech

A. H. Smith Joins Dwinnell, Harkness

BOSTON, Mass. — Anson H. Smith of Dedham, former Trust Officer of the Boston Safe Deposit and Trust Company, has become associated with Dwinnell, Harkness & Hill, Incorporated, 70 State Street, dealers in tax exempt bonds.

Mr. Smith, who retired recently after 13 years with the Bank, has specialized in Municipal securities over a long financial career. He has served with several investment dealers and banks in Boston and New York City, and is at present a Trustee and member of the Board of Investment of the Dedham Institution for Savings.

Russell Bloom Opens

BUFFALO, N. Y. — Russell H. Bloom is engaging in a securities business from offices at 372 Landon Street.

George A. Burnett Opens

ALBANY, N. Y. — George A. Burnett is conducting a securities business from offices at 363 Washington Avenue.

Opens Office

KEW GARDEN HILLS, N. Y.—Belle Cohen is engaging in a securities business from offices at 144-37 Seventy-Sixth Avenue.

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March 2, 1955

Should the U. S. Strike First in Use of Force?

By ROGER W. BABSON

Mr. Babson, referring to a new book, entitled "Influence of Force in Foreign Relations," points to mistakes of delays in the past, and outlines actions to avoid these mistakes in future. Hints we "are sitting on a keg of uranium," and says if we are in World War III in 1956, President Eisenhower would be certain of re-election. Sees World War III avoided this year, at least.

In view of the latest news from Russia, businessmen and investors are much excited regarding the new book published by D. Van Nostrand Co., Inc., New York City, entitled "Influence of Force in Foreign Relations." As the author, Captain W. D. Puleston, is a neighbor of mine and recently gave a most dynamic address at the Webber College Winter Conference, I must comment thereon and advise everyone to read it.

Roger W. Babson

Eighteen "Fatal Mistakes"

Captain Puleston told me last spring of these "mistakes." Shortly thereafter, Mrs. Franklin D. Roosevelt, the late President's wife, was visiting my home in Wellesley Hills, Massachusetts. I asked her what she thought of these "mistakes" for which the Democratic Administrations were reported responsible. Mrs. Roosevelt answered: "Well, notwithstanding Captain Puleston's so-called 'mistakes,' we won two wars, didn't we, Mr. Babson? Perhaps someone should now write a book on the 'Eighteen Master-Strokes' which won these two wars!"

Personally I believe that, although a fearless critic, Captain Puleston is eminently fair in his judgments. He emphasizes mistakes made by Republican statesmen such as Root, Hughes, Kellogg, Stimson, and President Hoover equally with those made by Presidents Wilson and Roosevelt. He points to Wilson's statesman-like, but unheeded, appeal to European leaders in 1916 to seek a "peace without victory." Similarly, Puleston has pointed to mistakes made by military as well as diplomatic leaders. He carefully cites proof showing the undue subordination of the trained military to untrained civilians. Politics, between 1909 and 1941, by weakening our armed forces, caused first Germany and then Japan to attack us on the **incorrect assumption** that they could defeat us before we could prepare to fight.

What Should U. S. Do Now? Strike First?

Businessmen and investors want to know what Captain Puleston thinks we should do NOW. This is it:—Increase the nation's defenses, particularly the strategic industrial areas, against air attacks; **devise more efficient methods to prevent delivery of bombs, or retention of any such bombs now held in the country by enemy agents;** keep a large proportion of our land, sea, and air forces, particularly fighting planes, always on the alert; prohibit the entry of unidentified planes into certain important areas; finally, and most important, decide **now** that we will never again await an "overt enemy attack."

Americans have been led to believe that their government is committed to awaiting an enemy attack with nuclear bombs. Puleston points to an honorable and long-accepted middle course, namely, if an enemy nation, possessing the ability to destroy us, disposes its forces in position to do so, we should immediately mobilize and station our forces in position to strike the enemy and defend the United States. When **in all respects** we are ready, inform the hostile government that **if within 48 hours it does not demobilize its forces, we will take any or all measures to protect our country.** If the potential attack should be immediately delivered, as mobilized, we would get an even break; if the enemy then demobilizes we can prevent war. If, in spite of our warning, it continues to hold its forces ready to spring surprise attacks, WE THEN SHOULD STRIKE FIRST. Under International Law, having given the foe fair warning, we would be fully justified, claims the Captain.

Politics May Be a Factor

In case we are in World War III or "sitting on a keg of uranium" in November, 1956, it seems as if President Eisenhower would be certain of re-election. I cannot imagine a better-trained man for the Presidency under such a condition. Whether or not the Republican strategists have this in mind, I leave to you readers to decide. The Presidential election coming next year certainly complicates the situation. Certainly, the character and location of each industry should be most carefully considered. Also read "The Natural Cycle of Government," an important mimeographed brochure, written and published by Edison E. Shrum of Fornfelt, Mo.

Readers should study the history of Formosa before deciding what attitude the United Nations will take. The fact is that Formosa was a part of China for centuries until 1895, when China was forced to "give" it to the Japanese. The Japanese developed Formosa and made it what it is today. At the close of World War II, the Japanese were compelled to give up Formosa and return it to China. Strictly speaking, there are two Chinas today—the Mainland under Communist Administration—and Formosa under the conservative Chiang Kai-shek. Both claim sole representation in the United Nations. Thus far only Formosa, ruled by Chiang Kai-shek, is a member of the United Nations.

What of the Future? My Forecast

Although we should hold Formosa for the present, I forecast that Formosa will sometime again be an integral part of China which will have a compromise government such as General Marshall recommended. Before then both Chinas will be members of the United Nations. I further forecast that World War III will be avoided for this year at least. Even though Captain Puleston seems logical in saying that only by "striking first," after fair warning, can we avoid being destroyed, I doubt if the American people would support "striking first" **based only on Formosa.** Yet, the recent vote of Congress indicates that we might. Certainly, we are in a very critical situation.

Businessmen will be tempted at least to postpone capital expenditures until the air becomes clearer. Investors will consider the stock market very selective. Even now investors are purchasing mainly the aircrafts, metals, and oils, together with certain other stocks which should prosper as "war babies." Wise investors will probably not buy stocks of companies in large cities vulnerable to bombing. Furthermore, all investors should keep in mind the probability that prices, wages, and money rates would probably be "fixed" immediately at the start of any World War III, and a severe profits tax be re-enacted. President Eisenhower might veto some of this legislation; but with the Democrats in control of Congress it could be passed over the President's veto in view of Russia's attitude.

W. B. Harding Director

William Barclay Harding has been elected to the board of directors of The Electric Auto-Lite Co., it has been announced by James P. Falvey, President. The new director is a partner in Smith Barney and Company, New York firm of investment bankers, with whom he has been associated for many years.

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From Washington Ahead of the News

By CARLISLE BARGERON

It is not an exaggeration to say that most members of Congress are rubbing their eyes over the ease with which they have just passed themselves a handsome salary increase. Some of them are convinced there is a trick in it somewhere and they are wondering just when it will become apparent.

Carlisle Bargeron

Only a few years ago they ran into a terrible demagogic attack when they voted themselves retirement pay. Starting in the Far West, and spreading over a large section of the country, was a movement to load them down with old clothes, even decayed fish bones. It was called a "Bundles for Congress" campaign and it was inspired by the CIO.

Similarly there was considerable criticism when Congress voted itself a 50% increase in 1946, although some criticism was allayed by an accompanying reorganization and so-called modernization of Committee set-ups and procedures.

This time the increase is again for 50% but upon a higher plateau, from $15,000 a year to $22,500. And we are confronted with the most unusual situation of there not having been a single dissent from outside of Congress. So far as I can ascertain there was no editorial dissent; what criticism there was, was against those members who were shy about the increase, and there was impatience at the slowness with which Congress acted. The CIO instead of organizing a "Bundles for Congress" campaign was in the forefront of those advocating an increase.

There is something wrong with this picture and some of the more astute minds of Congress know it.

It doesn't seem likely that the country, particularly the CIO, has all of a sudden come to an appreciation of Congress, to a realization that it has been wronged in the past.

The point here is not whether the increase was justified. It is just what is behind the phenomenon of no criticism at all against it; instead, a seeming national approbation. Why, you get the impression it is one of the most popular things Congress ever did! It recognized its responsibility and measured up to it. Bully for Congress!

The gimmick in the woodpile, in my opinion, is the forthcoming demands of organized labor starring Walter Reuther. Keep in mind that Mr. Reuther, who came down to Washington to urge the increase, does not himself get $22,500 a year from his automobile workers or at least he did not at the last recording. This is not any sacrifice on the part of Mr. Reuther but a little device of his. George Meany, President of the AFL, and John L. Lewis get $50,000 each. But with Mr. Reuther his service to the working man and to his country is just a labor of love. So the story goes.

Well, I can see Mr. Reuther and the other labor leaders indignantly sounding off that the Congress voted itself a 50% increase and yet the "living wage" demands of the workers are resisted.

The forecast generally is for a lot of disturbance on the labor front this summer. Particularly is it looked for in the automobile and steel industries where the guaranteed annual wage is to be a factor. The picture of Congress having set the pace, so to speak, in wage increases, provides the labor leaders with plenty to rant about. The argument can be made, of course, in fact is being made, that Congress' increase was a long delayed readjustment. But it's "readjustments" that the labor leaders are always seeking.

The added expense to the cost of government of Congress' increase is nil. But it's the psychology of the thing, political observers hereabouts are pointing out. In itself it can't affect anything except the pocketbooks of the Congressmen and Senators. But if it should be the spark plug to a general round of increased wages in industry, which I believe the Labor leaders intend it to be, then the effect upon the country may be very pronounced. We shall wait and see.

First Bank Stock Offering Underwritten

First Bank Stock Corp. is offering 361,922 shares of capital stock (par $10) to stockholders of record Feb. 24, 1955 at $31.50 a share on the basis of one share for each eight shares then held. A group of investment banking firms, headed by Blyth & Co., Inc., will purchase any shares unsubscribed at the expiration of the offer at 2:30 p.m. (CST) on March 14, 1955.

Proceeds from the sale of this capital stock will be added to the general funds of the corporation, permitting additional investment of approximately $9,000,000 in certain of its banking affiliates in the near future and other such investment from time to time.

The corporation holds approximately 96.6% of the aggregate par value of the outstanding stock in 75 affiliated banks which, with six branches, operate a total of 81 banking offices in communities in Minnesota, Montana, North Dakota and South Dakota, with combined deposits, as of Dec. 31, 1954, of $1,309,685,181. Book value of the corporation's capital stock was reported to be $32.93 at the end of 1954 compared with $31.26 a share at the end of 1953 in which a stock dividend of one share for each 50 shares outstanding was distributed, and $22.56 a share at the end of 1945.

Net income for the corporation amounted in 1954 to $3,806,422 which, with equity in increase in undistributed income of active affiliates, brought combined net income of $8,611,442, or $2.97 per share. This compares with combined net of $7,534,199, or $2.60 a share in 1953.

As of Feb. 23, 1955 and taking into consideration the present stock offering, sole capitalization of the company consisted of 3,257,294 shares of capital stock, $10 par value.

Responsibilities of Government Under the Employment Act of 1946

By LEON H. KEYSERLING*
Consulting Economist and Attorney

Former Chairman, President's Council of Economic Advisers Criticizing the President's Economic Report as neglecting the responsibilities imposed by the Employment Act of 1946, former Chairman of the Council of Economic Advisers stresses increase in unemployment as a by-passed matter, and states that the estimated 3% increase in economic output is not nearly enough to reduce unemployment. Contends the President's Economic Advisers provide no basis on which to evaluate recommended policies.


Leon Keyserling

The true level of unemployment, counting not only full-time unemployment but also the full-time equivalent of part-time unemployment and temporary layoffs, rose from 1,844,000 in 1953 as a whole to 4,083,000 in 1954 as a whole, an increase of more than 120%. It rose from 2.9% to 6.3% of the labor force. There has not been much significant improvement in recent months. Allowing for seasonal adjustment, the true level of unemployment in December, 1954 was about 3,700,000.

Moreover, a large part of the labor force has been forced to shift from more productive and highly paid work to less productive and less well paid work, which is a burden upon the whole economy. Agricultural employment was fairly stable in 1954, but nonagricultural employment fell by almost 1.4 million, manufacturing employment by about 1.2 million, and mining employment by about 11.7%.

Combining manufacturing, mining and construction, production in the fourth quarter of 1954 was higher than in the fourth quarter of 1953, but employment was down more than 1.1 million, or more than 5%. With automation and technology on the march, hard-core unemployment is bound to increase greatly well within 1955 unless the economy expands more rapidly than any current signs now indicate, and much more rapidly than the more optimistic forecasters indicate.

Total output in the fourth quarter of 1954, while about the same as in the first quarter of 1953, was at an annual rate about $30 billion below maximum output—due to growth in productivity and in the labor force. This deficit in output correlates well with the excess amount of true unemployment plus the bad utilization of the labor force caused by the recession.

The Council of Economic Advisers, through the medium of the President's Economic Report, have furnished a good historical account of past events. But they have overlooked the explicitly stated responsibility under the Employment Act (and also the requirements of sound economic analysis as a guide to policy) that they define **needed levels of employment, production and purchasing power.** The Report offers almost no indications as to whether the Advisers believe that unemployment is too high or too low or about right; as to how much total output would need to grow to restore maximum employment and production; or as to what adjustments in purchasing power throughout the economy would help to restore maximum employment and production. Evading this central task, the Advisers provide no basis on which to evaluate whether recommended policies and programs are too big or too small, well-directed or misdirected.

The Economic Advisers make a few forecasts, surrounded by many hedges. But the Employment Act did not set up a forecasting agency. It set up a national economic policy coordinating body, with forecasting to be used mainly as one tool for the formulation of policies. To be sure, there are a number of random policies and programs set forth in the Economic Report. But they do not stem from the economic analysis, because the analysis does not define needs.

Under the circumstances, although the meaning of the Employment Act is unmistakably clear, the Joint Committee might consider advising the Advisers to carry forward the responsibilities which the Act imposes upon them.

If the American economy in 1955 averages a 3% higher level of output than in 1954, which is in accord with optimistic forecasts, this would not be nearly enough growth to reduce unemployment sufficiently, absorb new entries into the labor force, and keep up with advancing technology. With only a 3% rate of growth, the true level of unemployment for 1955 as a whole might average around 6½ million, contrasted with slightly above 4 million in 1954. The level of full-time Census Bureau unemployment might be considerably below 6½ million, due to forced reductions in hours of work to share unemployment, temporary layoffs, etc.

All this can be changed by appropriate policies and programs.

To restore maximum employment and production by the end of 1955, the level of total output for 1955 as a whole needs to be in the neighborhood of $378 billion, or about 6% above the $357 billion level for 1954 as a whole. Total output would need to reach an annual rate of about $390 billion in the fourth quarter of 1955, or more than 8% above the $361 billion level in the fourth quarter of 1954.

Unemployed manpower and other idle resources are a progressive threat to our economy if their realities are ignored. But unemployed manpower and other unused resources are an enormous potential asset, because they give us the power if brought back into use to enlarge our economic strength, and thus without excessive strain to place a large enough offering upon the altar of freedom. The fact that we could now produce at an annual rate $30 billion higher than we are now producing, and can raise this much further in the year ahead, makes it folly in the face of the rising communist threat to let any of our fields lie bare. This is the challenge of the Employment Act; and it is as important or more important now than ever before to rise to the challenge and not to evade it.

* * *

Answers to the specific questions raised by the Joint Committee are as follows:

QUESTION 1

What are the facts respecting population growth, labor force, employment, unemployment, layoffs, part-time employment, productivity, production, private investment, consumption, government demand for goods and services, and savings since 1952?

To answer this question in full would require a complete economic history of the past three years; consequently, I shall stress the items which according to my analysis seem to me of greatest significance in the current economic situation and with respect to the economic outlook.

Employment and Unemployment

Total employment in 1954 averaged about one million lower than in 1953, and more than 450,000 lower than in 1952. But unemployment grew faster than employment fell, because the labor force grows from year to year.

Full-time unemployment, as shown by the official figures of the Census Bureau, rose from 1,602,000 in 1953 to 3,230,000 in 1954. It rose from about 2.5% of the labor force to 5%.

I use the term "true level of unemployment" to include not only full-time officially reported unemployment, but also temporary unemployment, part-time unemployment, reduction in hours of work to share unemployment, etc., translated into their equivalent of of full-time unemployment. In doing this, I allow for the long-term trend toward reductions in the work week, at about 0.7% a year. On this basis, I estimate that the true level of unemployment rose from 1,844,000 in 1953 to 4,083,000 in 1954, an increase of more than 120%. It rose from 2.9% to 6.3% of the labor force.

In addition, due to scant work opportunity, the labor force in 1954 grew by about 400,000 less than normal growth in a maximum-level economy. So the denial of work opportunity was considerably higher than shown by the figures on unemployment. Furthermore, the years 1953 and 1954 caused millions of people to move from more productive and better paid work to less productive and lower paid work. For example, in 1954 agricultural employment was almost stationary, while nonagricultural employment fell by almost 1.4 million; employment in manufacturing fell about 1.2 million; mining employment declined about 11.7%.

This deterioration in the utilization of the labor force can be shown as follows: In the fourth quarter of 1954, our total national output was running at an annual rate almost 7.7% below the maximum production level. But the true level of unemployment was only about 3.7 million, seasonally adjusted. This was only about 2 million, or about 3.1% of the labor force, above the maximum employment level of unemployment. The disparity between the production deficit and the surplus unemployment shows that a very large number of workers were being underused and underpaid—in agriculture, and in trade and industrial work unprotected either by (a) collective bargaining, or (b) an adequate—or any—minimum wage base.

The employment and unemployment picture has not changed much for the better in recent months. Total employment declined almost 700,000 from the third quarter of 1954 to the fourth quarter. There is usually a seasonal decline in the final quarter, but total employment in fourth quarter 1954 was still about three-quarter million below the level in the last fourth quarter (1952) before the recession started. And these employment figures take no account of the great growth in the labor force in two years.

Total full-time unemployment in the fourth quarter of 1954, as officially recorded by the Census Bureau, was 2,825,000, compared with 3,230,000 in the third quarter. But seasonally adjusted, the drop in total full-time unemployment was only about 200,000, and thus seasonally adjusted full-time unemployment in the fourth quarter 1954 was about 3 million. Full-time unemployment remained more than 1,450,000 higher than in the fourth quarter of 1952, and more than one million higher than in the fourth quarter of 1953.

Due to a reduction in temporary layoffs, and some increases in working hours, the true level of unemployment in the fourth quarter of 1954 was reduced to about 3½ milion, or about 3.7 million when seasonally adjusted. This contrasted with less than 2½ million, seasonally adjusted, in the fourth quarter of 1953.

There has been little or no real improvement in the most recent months. Total full-time unemployment fell less than 300,000 from September to December, but much of this was due to seasonal factors. In December, full-time unemployment of 2,833,000 was about the same as in November, higher than in October, 1.4 million higher than in December, 1952, and about one million higher than in December, 1953. Seasonally adjusted, full-time unemployment in December, 1954 was about 3 milion, and the true level of unemployment was about 3.7 million.

In the fourth quarter of 1954, manufacturing employment was about 250,000 higher than in the third quarter. This was due largely to the upswing in new model auto production and its impact upon steel; the maintenance of this rate of upswing is highly dubious. In any event, manufacturing employment in the fourth quarter remained about one million lower than in the fourth quarter of 1953. There was practically no improvement in manufacturing employment from month to month during the fourth quarter of 1954. Mining and construction employment in December were lower than in November, and lower than for the fourth quarter as a whole.

The available seasonally adjusted figures are most revealing. The adjusted index for total nonagricultural wage and salary employment showed almost no change in the fourth quarter of 1954; this index stood at 110.3 in December, which was very slightly lower than in the index for 1954 as a whole, and much lower than the 113.6 index for 1953 as a whole. The seasonally adjusted index of employment for manufacturing production workers was 101.8 in December 1954, or no higher than in November. It was lower than the 102.1 index for 1954 as a whole, and distressingly below the 112.0 index for 1953 as a whole.

These figures are most alarming because a sizable increase in production has been accomplished without a comparable increase in employment, due to technological advance. Combining manufacturing, mining and construction, production in the fourth quarter 1954 was higher than in the fourth quarter of 1953, but employment was down more than 1.1 milion, or more than 5%.

With automation and technology on the march, hard-core unemployment is bound to increase greatly well within 1955, unless the economy expands much more rapidly than any current signs now indicate, and much more rapidly than the more optimistic forecasters indicate.

Productivity

The outlook for unemployment is greatly influenced by productivity trends. Higher productivity displaces workers, unless the economy expands sufficiently.

In the postwar years 1947-53, the annual average rise in productivity for the economy as a whole was about 3.7%. Generally speaking, years of maximum prosperity have registered an accelerating rate of productivity advance, more so in peacetime than in wartime. Hence, it is fair to conclude that in early 1953, before the recession started, our potential for productivity advance for the economy as a whole was not less than 3.7% per year. The recession reflected the failure to expand total output enough to absorb this productivity potential, plus growth in the labor force.

In 1954, according to preliminary estimates, productivity growth for the economy as a whole was much lower. This was due to recessionary influences, and to shifts in the composition of the labor force, as workers were forced into less productive work. But there was no slackening of technological progress; just the contrary. Preliminary estimates for 1954 indicate that the annual rate of productivity gains in manufacturing averaged about 4% for the year as a whole, and reached an annual rate of growth of about 6% in the fourth quarter.

Technology is still on the march. Any movement toward economic expansion will make the average productivity picture for the economy as a whole come closer to the technological picture. Automation accentuates all this. Thus the true productivity potential of the American economy is higher than ever before. This ob-

Continued on page 49

*A statement by Mr. Keyserling before the Joint Committee on the Economic Report, Washington, D. C., Jan. 26, 1955.

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The SEC and Proxy Contests

By SINCLAIR ARMSTRONG*
Member, Securities and Exchange Commission

Mr. Armstrong, in covering his topic of proxy contests under the Securities and Exchange Commission's proxy rules, reveals the statutory basis for these rules and the extent of their application. Says problems of constitutional guaranties are involved in proxy contests, and decries advantage taken by contestants through use of the press and freedom of speech. Holds publication of preliminary letters, advertisements, and prepared announcements issued in advance of proxy solicitations, are within the scope of the SEC proxy rules, and should be filed with the Commission. Explains SEC's method of enforcing proxy rules and lists seven categories of "misleading statements."

When I addressed the Chicago Chapter of the American Society of Corporate Secretaries in January a year ago, I discussed in some detail the program for revision of rules, regulations and forms which had been inaugurated in 1953 and was then going forward full steam. I could give you a progress report on the rule revision program at this time, and I am sure you would be interested in the enormous progress which has been made in the revision and simplification of the regulations, and at the same time, in my opinion, the continued emphasis on investor protection under our regulations under the Securities Acts.

J. Sinclair Armstrong

The Commission's Annual Report to the Congress for the fiscal year ended June 30, 1954, has been released within the last day or so. It covers the entire scope of the rule revision program as it has gone forward in the last 18 months. Accordingly, rather than deal with rule revisions today, I thought it would be pertinent and timely to discuss one of the important and most difficult types of problems that arises under the Securities Exchange Act of 1934. I shall discuss the administration of Regulation X-14, the proxy rules, as it pertains to the complicated problems occurring in proxy contests. What I am about to say represents by own observation of the manner in which the proxy rules have been administered in the context of hard fought proxy contests.

We have come to that season of the year when the corporate officials of listed companies are occupied with the preparation, and the Securities and Exchange Commission and its staff with the review, of proxy material for use in connection with the solicitation of proxies for shareholders' meetings. If past experience is a useful guide, the next few months will be a lively period for us and for some of you.

As you will recall the Commission's proxy rules were substantially overhauled in the fall of 1952.[1] Further amendments, clarifying the requirements as to the disclosure of remuneration and placing reasonable limitations on the shareholder proposal rule, were adopted in the latter part of 1953, effective in January and February 1954.[2]

In the summer of 1954 the Commission, in reviewing with the staff its program for the fiscal year ending June 30, 1955, concluded that it would make no proposal for revisions of the proxy rules for this now current proxy season. In their application to the vast majority of solicitations, those relating to routine elections and other corporate business, the rules in general seem to be working very well. The amendments of a clarifying nature adopted in 1953 served to reduce substantially points of irritation and the number of comments resulting from the examination of proxy material by our staff.

The changes in the shareholder proposal rule appear to have removed much of the criticism of our rules arising out of "repeaters" and proposals which tend to project stockholder opinion into matters involving ordinary business operations.

The rules contain no formal requirements drawn specifically for the problems of fair disclosure arising out of proxy contests. However, in the handling of the cases the Commission has gradually reached certain results with certain types of problems. Commission thinking and Commission policy on the whole subject is still in a state of evolution.

We considered the possibility of formulating and circulating for comment rule revisions particularly relating to contests in an effort to make at least a beginning towards some solution. We concluded, however, to propose no changes in the rules and to observe the contest problem closely during the present proxy season.

Last year, that is in the 1954 proxy season, there were 28 proxy contests involving elections of directors conducted under our rules. A few of these, such as the New York Central and American Woolen cases, stimulated widespread interest and comment. Others, fought with equal vigor and frequently with bitterness, attracted no widespread public attention. It is impossible to predict the number of contests during the current period, but I think we can assume that there will be several.

Statutory Basis For Proxy Rules

I think it fair to say that the most difficult single question presented to the Commission in the administration of the proxy rules as applied to an election contest arises from the effort almost invariably made by one side or the other to subject one or more individuals to public attack on their personal character. I will have more to say on this subject later. But before I develop that, I want to begin with a few words about the statutory basis for the rules and their general tenor.

Section 14(a) of the Securities Exchange Act of 1934 in general prohibits the solicitation of proxies with respect to securities registered on national securities exchanges by the use of the mails or by any means or instrumentality of interstate commerce or of any facility of any national securities exchange or otherwise in contravention of such rules and regulations as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors. The Commission has promulgated rules under this section, known as Regulation X-14 under the Exchange Act, which seek to protect investors by requiring the disclosure to them of certain basic information at the time their proxies are solicited. The information prescribed for such disclosure is calculated to enable the average "prudent" investor to act intelligently upon each separate matter with respect to which his vote or consent is sought.

The Commission's proxy rules, although applicable in general terms to a solicitation with respect to a listed security by any person, naturally are most easily applied and understood from the viewpoint of a solicitation by management, and this is still, of course, the most common situation. But once public announcements are made by a participant in a proxy contest and as soon as preliminary steps are taken pointing to a proxy battle, the Commission's problems and your problems as corporate officers become much more difficult. Not only have these contests attracted increasing attention from the press, radio and television, but there is a growing tendency for contestants to hire public relations counsel to utilize these and other media to condition both public opinion and the opinions of present and prospective stockholders in their favor either before or after the filing of a formal proxy statement.

The Commission's difficulties in proxy contests thus may be due in part to the fact that contests involve a large number of people who take part in the preparation and distribution of soliciting material and who are more likely to be unfamiliar with the workings of the proxy rules than is usually the situation in routine elections. This discussion is intended to bring about a better public understanding of the proxy rules and how they are administered in the public interest.

Since most proxy contests relate to the election of directors, a brief sketch of the requirements of the proxy rules with respect to the election of directors may be helpful. To aid investors in making a judgment, the rules in general provide that security holders shall be furnished information in the form of a proxy statement which gives the names of the nominees for directors, and describes their positions with the company, their business experience, their compensation, their transactions with the company, and their ownership of securities of the company, and certain details regarding the use of paid solicitors.

The rules also require that the proxy statement disclose the names of the persons who will directly or indirectly bear the cost of the solicitation. Normally the cost of proxy solicitation by the management of a corporation is borne by the corporation itself, and the proxy statements generally include information as to direct costs of soliciting. In the case of contestants opposed to the management, however, they or their cohorts must bear the expenses of solicitation, at least until and unless they are successful. Since the possibility of reimbursement by the corporation exists, the Commission has required contestants opposed to management to state whether or not, if successful, they will seek reimbursement from the company itself for the expenses of their solicitation.

Beyond this the proxy rules simply require that solicitations must not contain misleading statements nor omit material facts necessary to make the statements made not misleading in the circumstances. The rules also provide that misleading statements or omissions previously made in soliciting material must be corrected in subsequent material.

Continued on page 40

*An address by Commissioner Armstrong before the Chicago Chapter of the American Society of Corporate Securities, Chicago, Ill., Feb. 9, 1955.

1 Securities Exchange Act Release No. 4775 (Dec. 11, 1952).

2 Securities Exchange Act Release No. 4979 (Feb. 6, 1954).

A New Look at Management-Shareholder Relations

By LEWIS D. GILBERT*

Minority stockholder spokesman, emphasizing the growing importance of good management-stockholder relations cites some actual cases as showing friction. Discusses question of location of the shareholders' annual meeting, requirement on directors to own stock in their own company, election of independent auditors, proxy statement liberalization, and post-meeting company reports. Stresses advantages of cumulative voting.

What makes good management-stockholder relations? With an ever greater number of proxy contests on the horizon, this subject has greater importance to the lawyer of tomorrow than ever before in corporation history.

Lewis D. Gilbert

In order to find out what definitely does not constitute good management-stockholder relations let us look at the proxy statement of a corporation which held its annual meeting just about a week ago. The corporation which will be our case study today is Burlington Mills. Let us turn to pages five to seven and you will find the reasons why many of the shareholders of this corporation voted with me when the issues were raised by us at the meeting.

I can rarely recall a case when I received so many letters of support. The letters of small stockholders came to me from all over the United States and included one which actually came to me from a President of a large listed corporation itself who had a few shares in his personal investment account! Since his corporation practices good stockholder relations and does all the things mentioned in the resolutions up before the owners, it is not surprising to find that the independent proposals had his enthusiastic support, just as readily as that of other small owners.

Now what were our proposals and complaints at Burlington Mills? The first was the question of the location of the Annual Meeting. Burlington Mills has its plant at Greensboro, North Carolina. If the annual meeting took place there, many owners would have an opportunity to go through the plant and learn more about their property first hand. Luncheon facilities would provide a further opportunity for informal discussion between management and shareholders, such as are provided for example at such meetings as American Viscose, American Chicle, Standard Oil of New Jersey, General Motors, L. S. Starrett and U. S. Pipe and Foundry to mention merely a few.

An alternative place to hold annual meetings of Burlington Mills would of course be a large city where owners would find it convenient to attend. This is the policy followed by such corporations as American Can, Pan American Airways, Continental Can, General Foods, American Standard, Fairchild Camera and Instrument, Fairchild Engine and Airplane, Kennecott, Lambert, Merritt-Chapman and Scott, National Biscuit, National Dairy, Beatrice Foods, Radio Corporation, Union Carbide, P. Lorillard and Electric Bond and Share.

The one place the meetings do not belong, even if incorporated in the State of Delaware, is Wilmington, Delaware. The company has no plants there, and directors meetings do not take place there. There is no large concentration of owners in that city, and attendance of shareholders is naturally therefore limited to a few management officials and independent public shareholders like myself, who are prepared to battle for shareholder rights including a change in locale at the annual meeting.

Our independent proposal therefore provided that the Board of Directors take the needed steps to see that future annual meetings be rotated between Greensboro, North Carolina, New York City and such other locations as in the opinion of the management would insure a good attendance by the owners.

This precedent which was established by Westinghouse which has held its annual meeting in Pittsburgh, Bloomfield, N. J., Buffalo, N. Y., Ohio and California has now been copied by a number of other corporations such as Jones and Laughlin, Avco and Carrier Corporation, as circumstances have allowed.

Regional Stockholders' Meetings

It is of course merely a variant of the regional meeting started by General Mills and which is copied wisely by such companies as Beatrice Foods, Bristol Mills and International Minerals and Chemical. In both cases, management is enabled to meet the owners who for geographical reasons would normally not be able to attend an annual session of the shareholders for collective discussion on problems of mutual interest. Where a large attendance is secured instead of a handful of owners, it is obvious of course that an attempt at good management-stockholder relations has been made.

What arguments did the management of Burlington Mills advance against changing the meeting from Delaware? That it is incorporated there, that facilities for counting proxies are good — but they are equally good at any of the other meetings mentioned earlier. That the stock is widely held and no one place could be accessible to all the owners and Wilmington is a central place. That holders have been represented in person or by proxy at recent meetings to the extent of 75% of the outstanding stock. The false security which a mere counting of proxy votes may give a management is a fatal delusion. American Woolen always received many proxies, New York Central always received many proxies, Montgomery Ward management always received many proxies—that in no way is any reflection of confidence in management or otherwise—return of proxies is a mere corporation duty. When issues are presented and rival slates presented, proxies go to all groups and camps. The cold legal language which the management uses to defend its position is probably the poorest kind of management-shareholder relations in this matter which one could conceive.

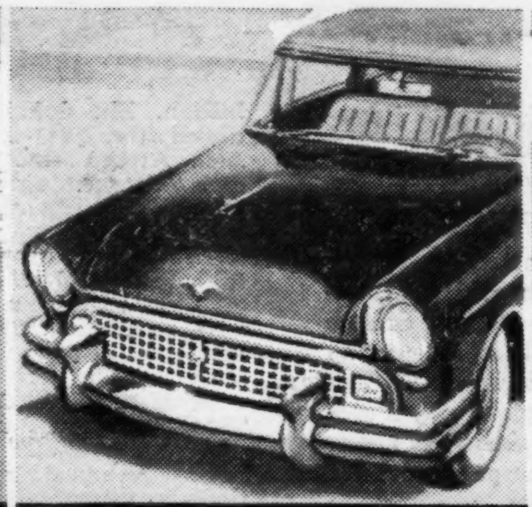
Let us now turn to the second error in management-stockholder relations at Burlington Mills in the minds of many of the owners, who voted last week in support of our proposal. Remember, by the way, that many of the votes which uphold a management contention when an inde-

Continued on page 44

*An address by Mr. Gilbert at the Harvard Law School, Cambridge, Mass., Feb. 11, 1955.

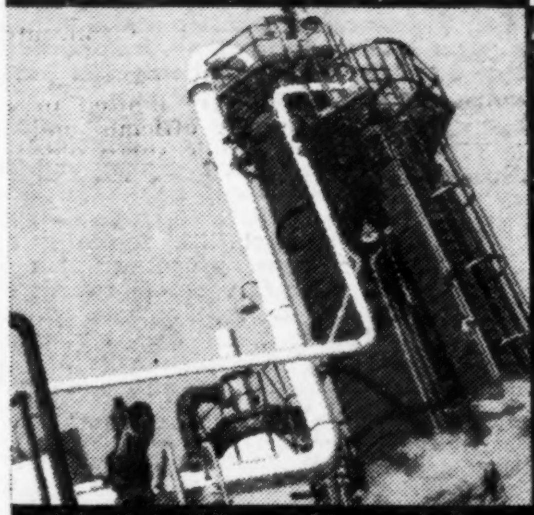
Seven in the family

A new nylon for textiles

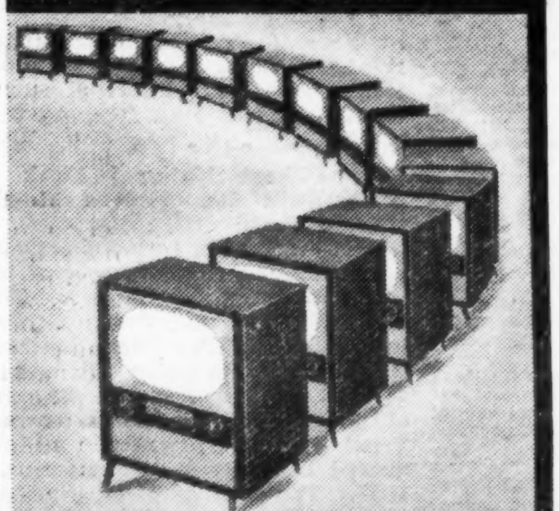


The luster of chrome

. . . thanks to Genetrons

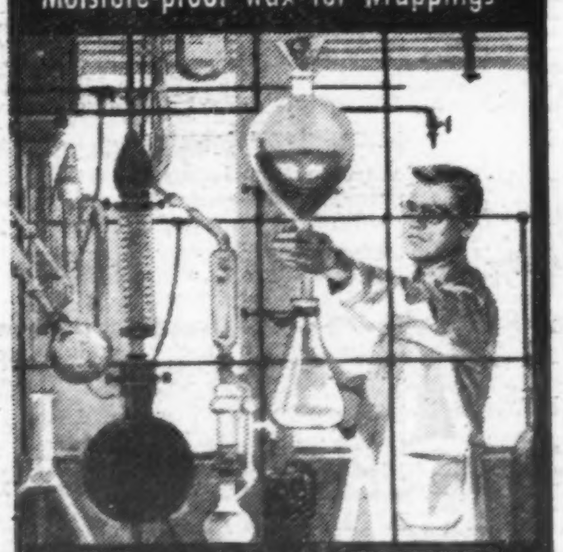


Hopewell — even bigger, even better



More products — using plastics

Moisture-proof wax for wrappings



Latest process for hydrogen peroxide

how are they ALLIED ?

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Each picture you see portrays some aspect of Allied Chemical . . . suggests the broad range of its products, its plants, and progress made during the year by seven integrated divisions with 30,000 employees.

The complete story, of course, could fill a book — and does.

Our 1954 Annual Report covers a full year at Allied — points to some new developments such as —

National Aniline's brand new center at Hopewell, Va., for the production of Allied Chemical Nylon, Plaskon nylon resins and other new chemicals.

A 100% increase in General Chemical's output of Genetrons — the organic fluorines that make aerosol propellants, refrigerants.

The addition of Mutual Chemical Company — the country's oldest and yet most modern when it comes to chrome chemicals.

Barrett's exceptionally pure phenol and its parade of plastics for other industries.

Hydrogen peroxide, the upcoming product of the Solvay Process Division.

Improved A-C Polyethylene through Semet-Solvay Division's discoveries.

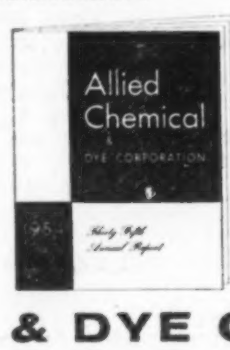
Further expansion at Hopewell, Va., and other locations by Nitrogen Division — already the world's foremost supplier of fixed nitrogen.

And the new research facilities which provide every division with its own modern laboratory and research staff.

AND FINANCIAL HIGHLIGHTS ?

- *Total sales and other income — $538 million*
- *Net earnings — $43 million — $4.80 a share*
- *Total expenditures — new plants and equipment — $94 million*
- *Research & Development — $15 million*
- *Dividends quarterly for 34 years — $3.00 a year in 1954 — to approximately 29,000 stockholders*

There's more in the report.
If you have an interest in Chemicals — or a company that makes them — write for our Annual Report.



The Annual Meeting of Stockholders will be held at 61 Broadway, New York City, Monday, April 25, 1955 at 1 p.m. (Daylight Saving Time). All Stockholders are cordially invited to attend.

ALLIED CHEMICAL & DYE CORPORATION

61 Broadway, New York 6, N. Y.

Allied Chemical

"Chemicals Vital To American Progress"

Barrett — General Chemical — Mutual Chemical — National Aniline — Nitrogen — Semet-Solvay — Solvay Process

"Opportunity Unlimited"

By W. RANDOLPH BURGESS*

Under Secretary of the Treasury for Monetary Affairs

Prominent Treasury official, in calling attention to the Eisenhower Administration's aim to maintain our free enterprise system, sees need for both adequate national defense and sound honest money on which the people of the country can rely. Lays down as principles for achieving and maintaining sound money: (1) a budget under control; (2) a central banking system dedicated to give sound guidance to monetary policies, and (3) the management of the public debt in the interest of monetary stability.

America's greatness is founded on a great idea—the idea of freedom, of opportunity unlimited—in politics, in religion, and in economics. The application of this principle in economic affairs was stated by Abraham Lincoln when he said, "The legitimate object of government, is to do for a community of people, whatever they need to have done, but cannot do, at all, or cannot, so well do, for themselves—in their separate, and individual capacities. In all that the people can individually do as well for themselves, government ought not to interfere."

W. R. Burgess

Under this philosophy, the future of our country, like the past, lies not in what the government may do for the people but in the initiative, the resourcefulness, the courage and tenacity of 160 million Americans, each free to choose how best he can promote his own interest and the interest of his loved ones, so long as he does not interfere with the rights of others. The accumulative power of these individual efforts has made America great in the past and promises even greater achievements in the future.

We cannot take for granted the operation of these principles. In many other countries, despotism, which professes to serve the people, has taken away their freedom, and, even in our own country, strange philosophies are at work which would exalt the powers and expand the functions of government and reduce the opportunity of the individual. It is the firm philosophy of the present Administration that our hope for the future lies in a return to, and accentuation of, the principles of opportunity unlimited.

If we are to succeed in maintaining these principles which have made the country great, we must apply them all up and down the line in every aspect of our political and economic life. As a representative of the United States Treasury, I want to tell you briefly and simply what we are trying to do in the field of finance to carry out these great principles of government.

National Defense

The road-block in financing our government is the requirement for huge funds for national defense. If America is to pursue the policy of opportunity unlimited, we must have peace, and, today, peace comes only at a price. That price is the building up and the maintenance of so powerful a defense force that no enemy will dare attack us or the free nations with whom we are allied in our efforts to maintain the world's peace.

An important change has taken place in our concept of military strength in the past few years. We no longer conceive of our program as a 100-yard dash. It is more like the mile run, or perhaps, even a marathon race. Our military strength must be not for just 1955 or 1956 but for a long period in the future. That means maintaining a pace which can be sustained without impairing the dynamic growth of the basic economy which underlies every military program.

To do this, we must make sure that our military machine is free from waste, that it is modern, that it takes advantage of all the fruits of new research. We are making progress, for our military strength is today greater than ever before and growing, while, at the same time, we are spending less money on it. Even so, it constitutes a large part of our Federal budget and prevents our achieving as rapidly as we would like a balanced budget and further reductions of taxes, which are so desirable to encourage vigorous economic progress.

Sound, Honest Money

Next to defense, our great objective is sound, honest money on which the people of the country can rely, in which they may have confidence. For we are convinced that sound money is an essential basis for the initiative and vigor of the enterprise of the millions of individuals who determine economic progress in this country.

Sound money is a basic essential for keeping the country's economic life on an even keel without a mass of direct controls. It is necessary to avoid inflation and deflation, which rob the saver and the enterpriser of the fruits of their labor.

There is a moral quality in sound, honest money. Money which fluctuates violently in value is a thief, for it robs the person who saves his money, it robs the people who live on fixed incomes, and it gives an unjust reward to the speculator or the lucky person who happens to hold the assets which jump in value. Sound money is a synonym for justice and integrity.

The methods of achieving sound money are not new. They have been tried and proved over many years and in many circumstances of the world's history. Because they involve technicalities it is difficult for the average person to understand, they become, from time to time, the football of the unprincipled politician or visionary crank. But the principles remain as demonstrated over many years.

These principles are:

First, a budget under control;

Second, a central banking system dedicated to give sound guidance to monetary policies; and,

Third, the management of the public debt in the interest of monetary stability.

In the past two years, we have made great progress in these three fields.

The Federal budget of expenditures has been reduced by $15 billion. The deficit has been reduced from $9½ to about $3 billion. At the same time, the burden of taxes on the American people has been reduced by $7½ billion.

The current proposal for a $20 tax cut is the type of thing which violates the basic principles I have mentioned. This strictly political maneuver would deliberately increase deficit financing—with all its inflationary dangers. This move must be blocked so that the American people can have continued the Administration's responsible financial management which has been so beneficial for all during the past two years.

Our central banking system, the Federal Reserve organization, has been freed from political interference and allowed to carry out, in the interests of the American people, monetary policies directed toward economic stability and growth.

The great public debt of $278 billion is being managed with the objective of gradually spreading it out in time and placing it more widely in the hands of the people. The average maturity of the debt has been lengthened; the sales of Savings Bonds have been stimulated.

In these three ways, we have made steady, if unspectacular, progress toward assuring the American people of sound money. For two years now, the cost of living has been stable. As economists of the American Federation of Labor put it recently, according to press reports:

"Unionized workers had fared better on the wage front in the 'recession year' of 1954 than in any other postwar year. Higher hourly wages and stable living costs had given most workers their greatest postwar gain in purchasing power. This was true even though the average pay rise of 5-9c an hour had been modest by comparison with the increases in previous years. Last year the wage earner got the full benefit of his fatter pay envelope. In other years inflation gobbled up much of his gains."

Again let me say that these principles are not new. They are putting into effect great American traditions established at the very founding of the republic by Alexander Hamilton and carried forward by great men of all parties in the proud history of the country. These principles of sound money are not something to be sought for themselves, but we seek them as a firm foundation for the growth of an ever new America, for opportunity unlimited.

*Excerpts from remarks by Sec'y Burgess at the Joint Conference of Group V Savings Banks Association and Real Estate and Building Industries, Brooklyn, N. Y., Feb. 25, 1955.

R. A. W. Brauns With McDonnell & Co.

McDonnell & Co., members of the New York and American Stock Exchanges, have announced that Robert A. W. Brauns is now associated with the firm as manager of the syndicate department.

Mr. Brauns, a graduate of Harvard University and the Harvard Business School, previously was associated with St. Vincents Island Co., a private investment company. Prior to that, he had been with Smith, Barney & Co., in the buying department.

Clemence, Powell With Eastern Securities

Eastern Securities, Inc., 120 Broadway, New York City, announce that Vincent Powell and Edwin Clemence are now associated with the firm in the trading department.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Howard C. Sheperd, Chairman of the Board of **The National City Bank of New York**, and Alexander C. Nagle, President of the **First National Bank of the City of New York**, announced on March 1, that a plan to merge the two banks had been agreed upon by the respective boards of directors, subject to approval of the shareholders of each bank and of the Comptroller of the Currency. Under the merger plan the National City Bank will pay to the shareholders of the First National Bank $550 per share in cash for its capital stock, a total of $165,000,000 for the 300,000 shares outstanding. No change will be made in the capital stock of National City, which consists of 10,000,000 shares of $20 par value, a total of $200,000,000, or in its surplus, which is $300,000,000. To reflect the merger, the name of the National City Bank will become **The First National City Bank of New York**, by amendment of its charter. From the announcement we also quote:

The number of directors of First National City Bank will be 25, including 20 members of National City's Board and five from the Board of First National. The new members of the board will be: George F. Baker, Jr., Percy Chubb, 2nd, Edward S. Moore, Jr., Alexander C. Nagle, and William C. Stolk. All members of the senior management of National City will continue in their present positions. Mr. Nagle will join the group as Chairman of the Executive Committee, and Grant Keehn, Executive Vice-President of First National, will hold the same title in First National City.

Special meetings of the shareholders of both institutions will be called for March 30 to vote on the merger plan. If ratified by two-thirds of the shareholders, and upon the approval of the Comptroller of the Currency, the merger will become effective immediately.

At the year-end the National City Bank had deposits of $5,639,000,000, total resources of $6,323,000,000 and total capital funds of $585,000,000 (including $32,000,000 capital funds of its trust affiliate, City Bank Farmers Trust Company). The First National Bank had deposits of $556,000,000, total resources of $713,000,000 and capital funds of $143,000,000.

Mr. Sheperd and Mr. Nagle issued the following joint statement

"Merger of the First National Bank with the National City Bank will bring into one institution two banks whose activities are largely complementary. Both banks supply general banking and fiduciary services to business and personal clients and to correspondent banks. The First National Bank, however, has specialized particularly in large corporate relationships and has no branches. The National City Bank operates 71 branches in New York, which supply the requirements of business and personal banking needs, including facilities for saving, for convenient payment of bills and for personal loans, of a large segment of the city's population. It also operates 57 branches in 19 foreign countries.

"The merger will make available to customers of the First National Bank not only more extensive foreign banking facilities, but also larger loan limits and broader banking services generally. The enlarged institution will be better able to meet the growing needs of American business, at home and overseas, and to keep pace with the expansion of the American economy. It will strengthen the leadership of New York City among the country's banking centers. It can be expected to develop a greater earning power and a greater potential for growth than the two banks could develop separately. All of the personnel of the First National Bank and the National City Bank will join in maintaining the high tradition of both banks."

* * *

At a regular meeting of the Board of Directors of **The National City Bank of New York**, held March 1, Charles R. Dodson, Rodney N. Hatcher, Lucius H. Tippett and Warren Wheeler were appointed Assistant Vice-Presidents and Robert Rice was appointed an Assistant Cashier.

Mr. Dodson, formerly Petroleum Engineer, is associated with the Petroleum Department of the Bank's Special Industries Group—Domestic Division; Mr. Hatcher, formerly an official in the London Office of the Bank, is now assigned to the European District of the Overseas Division at Head Office; Mr. Tippett, formerly Manager of the Bank's Havana Branch, will be associated with the Caribbean District of the Overseas Division at Head Office and Mr. Wheeler, formerly Assistant Cashier is assigned to the European District of the Bank's Overseas Division. Mr. Rice is assigned to the Transportation Department of the Special Industries Group.

* * *

The boards of directors of **Bankers Trust Company and The Public National Bank and Trust Company of New York**, at meetings on Feb. 23, formally approved the proposed plan of merger, and voted to submit the plan to the stockholders of both institutions, it was announced Feb. 24. The plan calls for the exchange of one and one-eighth shares of Bankers Trust Company for each share of the Public National Bank and Trust Company. Special meetings of the stockholders of both banks have been called for March 24 to vote on the merger. Announcement of the proposed merger of the Public National & Trust Co. with the Bankers Trust Company, under the name of the latter appeared in our issue of Feb. 24, page 936.

* * *

The Chase National Bank of New York has purchased the former home office property of the **Mutual Life Insurance Company**, which occupies most of the block bounded by Nassau, Liberty, William and Cedar Streets in New York City. The contract, which was formally closed on Feb. 23, will involve the payment of $4,425,000 to the **Guaranty Trust Company**, which had acquired the property in February, 1952. The property is immediately to the north of the block in which is located the head office of the Chase National Bank. Chase owns all but two parcels of this block, which is bounded by Nassau, Cedar, William and Pine Streets. Acquisition of the property, the bank announced, is a part of the long-term relocation and building program, as yet unresolved, in connection with the proposed Chase-Bank of Manhattan merger.

* * *

Colonial Trust Company of New York of which Arthur S. Kleeman is President, has set, Feb. 25 as the record date for determining shareholders who will be entitled to subscribe to a new $1 million issue of capital stock, according to an announcement by the bank on Feb. 24. Expiration date of the offer will be March 17. Each present shareholder will have the right to purchase for $50, one of the 20,000 new shares for each two shares he presently holds. The new stock issue was approved by shareholders at a special meeting Feb. 14. At present, the bank has 40,000 shares outstanding. Items regarding the proposed increase in capital appeared in our issue of Feb. 10, pages 712 and 737.

* * *

William H. Hill, Jr., a Vice-President of **Manufacturers Trust Company, of New York**, has been assigned to the Branch Administration Department and will supervise 23 of the bank's 37 offices in Manhattan, Horace C. Flanigan, President of the Trust Company announced on Feb. 23. Mr. Hill was formerly officer-in-charge of the Union Square Office, 221 Fourth Avenue at 18th

Street. He joined the bank in 1931 and was appointed a Vice-President in 1952.

The appointment of William J. Maguire as an Assistant Vice-President of Manufacturers Trust Company was announced by President Flanigan, on Feb. 26. Mr. Maguire is assigned to the Branch Administration Department with headquarters in the Main Office, 55 Broad Street, New York.

* * *

An increase in the capital of the **First National Bank & Trust Company of New Haven, Conn.,** from $2,205,000 to $2,500,000 is made known the increase having become effective Jan. 28. The capital was enlarged both as a result of a stock dividend of $294,000, and the sale of $1,000 of new stock.

* * *

According to the Newark "Evening News" of Feb. 17, W. Paul Stillman, President of the **National State Bank of Newark, N. J.,** and Carl K. Withers, President of **Lincoln National Bank** also of that city, announced that day that an arrangement had been effected, subject to approval by the board of directors of National State and the shareholders of Lincoln and the Comptroller of the Currency, for the acquisition by National State of the property and assets of Lincoln at approximately $74 per share. There are 30,000 shares of Lincoln stock outstanding. The paper from which we quote went on to say in part:

Mr. Withers stated that the arrangement has been approved by the board of directors of Lincoln. When the other required approvals are obtained, National State will operate as branches the offices presently operated by Lincoln and will assume the latter's deposit and other obligations and Lincoln will be liquidated.

The announcement today confirmed a story in yesterday's "Newark News," which reported that a merger of the two institutions was imminent. Confirmation of the story came 24 hours after a top executive of one of the banks said negotiations were under way but no details had been worked out.

The bid price for Lincoln stock was $54.50 per share yesterday and rose today to $63, but no stock was offered for sale at either price. Lincoln reported a book value of $61.19 at the end of 1954.

As of Jan. 1, Lincoln had deposits of $48,360,354 and assets of $54,537,241. Both totals dropped slightly from the 1953 figures, but the bank reported profits of $7.62 per share for 1954, $2.02 above the 1953 profit per share.

Absorption of Lincoln by National State would continue National State's program of expansion begun in 1949. Other major acquisitions in the period since then were the former Merchants & Newark Trust Co. and the former Orange First National Bank.

The transaction would end for Lincoln a history of 30 years, with its main office always at Broad and Kinney Streets.

* * *

Preliminary agreements looking toward a merger of the **First National Bank of Bloomingdale, N. J.,** with the **First National Bank and Trust Company of Paterson, N. J.,** were revealed following a meeting of directors on Feb. 23. The First National Bank of Bloomingdale has four offices throughout upper Passaic County, in Bloomingdale, Mountain View, West Milford, and Wanaque, and another to be opened shortly at Berdan Avenue and Paterson Hamburg Turnpike. The First National Bank and Trust Company of Paterson has a total of 12 offices; eight in Paterson, two in Clifton, one in Pompton Lakes and one in the Borough of Totowa. A joint announcement by F. Raymond Peterson, Chairman, First National Bank and Trust Company of Paterson, and Oscar T. Storch, President, First National Bank of Bloomingdale, stated in part:

"The merits of merging our two institutions have been seriously considered by our respective boards of directors. If consummated under the present plan, the merger would be effected by the purchase of the assets of the First National Bank of Bloomingdale by the First National Bank and Trust Company of Paterson, and the assumption of the liability of the First National Bank of Bloomingdale to its depositors by the First National Bank and Trust Company of Paterson. All offices of the First National Bank of Bloomingdale would be continued in operation. Oscar T. Storch would become Executive Vice-President of First National Bank and Trust Company of Paterson, and all other officers and members of the staff of the First National Bank of Bloomingdale would continue in their present positions.

"The plan has the preliminary approval of the Comptroller of the Currency, both boards of directors and is being submitted to the shareholders of First National Bank of Bloomingdale. Letters addressed to shareholders enclosing official notice of a special meeting to be held on March 30, will be placed in the mail on Friday of this week."

* * *

As a result of a stock dividend of $200,000 the **Boardwalk National Bank of Atlantic City, N. J.,** increased its capital, effective Feb. 16, from $1,300,000 to $1,500,000.

* * *

The First Merchants National Bank & Trust Company of Lafayette, Ind., increased its capital effective Jan. 18, from $500,000 to $625,000 as a result of a stock dividend of $125,000.

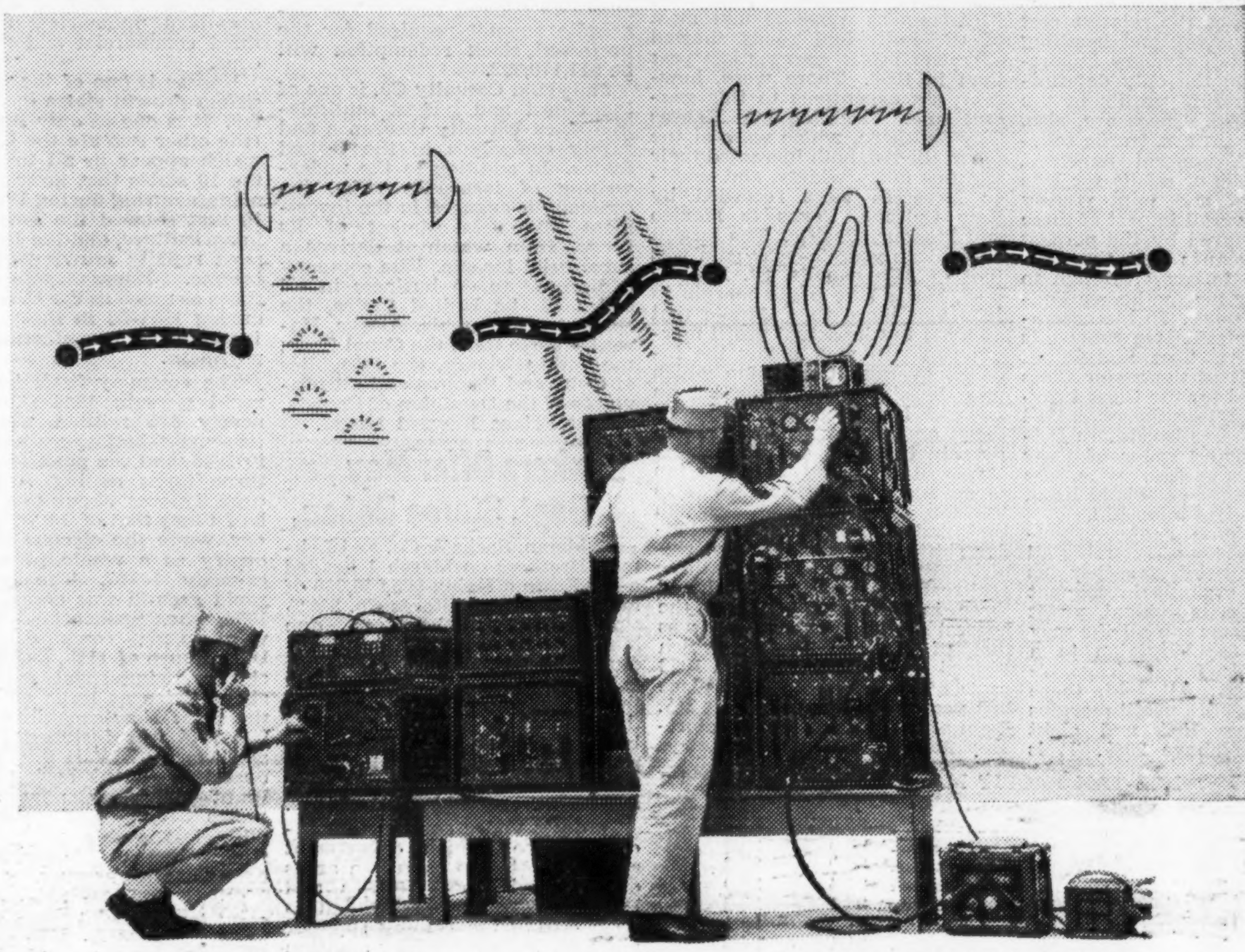
A stock dividend of $500,000 has resulted in increasing the capital of the **Fort Wayne National Bank of Fort Wayne, Ind.,** from $1,250,000 to $1,750,000, effective Feb. 7.

* * *

The Northwestern National Bank of Minneapolis, Minn., now (as of Jan. 18) has a capital of $10,000,000; the amount having been increased from $5,000,000 by a stock dividend of $5,000,000.

* * *

The First National Bank of Winona, Minn., now has a capital of $350,000 compared with $250,000 previously, a stock dividend of $100,000 having increased it to its present figure on Jan. 19.



NO OBSTACLE TOO GREAT. Signal Corps men tune in a new military communications system combining land lines and radio. Map shows how radio is used to jump across a swamp and a deep ravine, both difficult to cross quickly by land line.

A Leapfrog Telephone System for the Armed Forces

The Bell System now is producing for the military a telephone system that will go anywhere communications are needed. When water or rough terrain prevents the stringing of wire, it takes to the air. Thus vital contact for our Armed Forces—no matter where they may be located—is assured.

When Signal Corps linemen encounter geographical obstacles, they now can easily erect a portable antenna. This connects land lines by radio links, which leapfrog the trouble area.

This rugged communications system was developed for the U. S. Signal Corps by the Bell Telephone Laboratories. It has a 1000-mile range and can carry as many as 12 voices at once.

Uninterrupted flow of information is an important tactical weapon for today's Armed Forces. The Bell System works closely with the nation's military forces in developing and providing the most complete and modern communications in the world.

AMPLIFIERS like this can be used on a pole or the ground and even will work under water. Although the system is lighter and more portable than any used previously, transmission quality is unusually good.

BELL TELEPHONE SYSTEM

Railroad Securities

Pre-Tax Profit Margins: 1954 vs. 1953

Two weeks ago we carried in this column the transportation ratios of a number of major Class I carriers for 1954 and 1953, showing the changes as between the two years. We showed the 1954 ratio of Delaware, Lackawanna & Western as 43.8% and stated that the highest ratio for the roads covered was that of Chicago & North Western—46.5%. Actually, Lackawanna's 1954 transportation ratio was 47.5%, the highest for the group covered in the table.

While the transportation ratio, which measures the relative cost of actually moving and handling the traffic, is of primary importance, it is not the only determinant of operating profits of the individual road. There are, also, maintenance outlays, traffic solicitation costs, general expenses, and net credits or debits for hire of equipment and joint facility rents. The overall impact of these costs is measured by the percent of gross revenues that the railroad is able to carry through to net operating income before Federal income taxes. In the accompanying tabulation we show this so-called "Pre-Tax Margin of Profit" for 42 of the major Class I carriers, and for the Class I carriers as a whole, for the years 1954 and 1953. The railroads are listed in descending order of their 1954 profit margins, with the Class I carriers as a whole listed in their proper relationship.

This tabulation again demonstrates the fallacy of grouping all railroad securities together as presenting one single investment problem. The individual profit margins last year ran all the way from 35.9% for Virginian to a nominal 0.4% for Chicago & North Western. All told, there were 14 roads with profit margins running below 10% and eight with margins above 20%. It is notable that all four of the major eastern trunk line carriers were in the group that carried less than 10% of gross revenues through to net operating income before Federal income taxes, with three of them—Central, Pennsylvania and Erie — among the five lowest on the list. Erie, incidentally, showed considerable relative deterioration from 1953 while Central and Pennsylvania were merely adhering to their general patterns of recent years.

As was to be expected, the Class I carriers as a whole and most of the individual roads showed narrower profit margins last year than in 1953. There were, however, six exceptions to this general rule. Virginian and Kansas City Southern, which were at the top of the list, both increased their margins fairly widely, and smaller increases were recorded by New Orleans, Texas & Mexico and Missouri Pacific. The largest percentage year-to-year gain was that of Minneapolis, St. Paul & S. S. Marie (the profit margin in 1954 was more than double that of 1953) but its actual profit margin was still well below the industry average. Coast Line, which was the sixth road reporting an increase last year, was also well down on the list with respect to its actual profit margin.

It will be noted that the top seven roads last year were also the top seven in 1953 although their order at the top of the ladder shifted. This top group, significantly, is comprised of three coal roads, one southern road, and three in the west. One of the poorest relative showings was that of Western Pacific which slipped from eighth place in 1953 (a 24.8% margin) to 18th place last year with a margin of 14.2%. Even at that it remained comfortably above the industry average.

PRE-TAX PROFIT MARGINS

	1954	1953
Virginian	35.9%	31.6%
Kansas City Southern	29.5	25.8
Denver & Rio Grande Western	26.9	27.2
St. Louis Southwestern	26.4	26.9
Norfolk & Western	24.1	27.2
Western Maryland	21.8	33.1
Southern Railway	21.1	24.8
New York, Chicago & St. Louis	20.6	24.0
Chesapeake & Ohio	20.0	23.1
Seaboard Air Line	19.6	21.1
Atchison, Topeka & Santa Fe	17.9	22.0
Chicago Great Western	17.2	19.3
Texas & Pacific	16.9	21.8
Chicago, Burlington & Quincy	15.6	18.7
Louisville & Nashville	14.8	24.1
Gulf, Mobile & Ohio	14.4	18.4
Illinois Central	14.3	19.1
Western Pacific	14.2	24.8
Great Northern	14.1	17.9
New Orleans, Texas & Mexico	13.9	13.5
Reading Company	13.1	17.1
Union Pacific	13.1	14.3
Chicago, Rock Island & Pacific	12.8	19.3
St. Louis-San Francisco	11.8	18.2
Class I Railroads	11.8	15.4
Missouri Pacific	11.7	9.9
Wabash	11.0	17.1
Central of Georgia	10.9	11.2
Northern Pacific	10.0	12.8
Missouri-Kansas-Texas	9.7	15.8
Southern Pacific	9.2	13.9
Chicago & Eastern Illinois	8.8	14.0
Baltimore & Ohio	7.9	11.9
Atlantic Coast Line	7.7	6.0
Minneapolis, St. Paul & Sault Ste. Marie	7.2	3.5
Central Railroad of New Jersey	7.0	8.3
Delaware, Lackawanna & Western	6.8	14.3
Lehigh Valley	6.6	14.4
Erie	5.8	14.0
Pennsylvania	5.8	8.2
Chicago, Milwaukee, St. Paul & Pacific	5.7	6.1
New York Central	4.9	8.1
Chicago & North Western	0.4	4.1

Merrill Lynch Group Underwrite Offering

Maryland Casualty Co., Baltimore, Md., is offering its common stockholders of record Feb. 24, 1955 rights to subscribe at $40 per share to an additional 296,050 common shares on the basis of one additional share for each six shares held. The subscription offer will expire at 3:30 p.m. (EST) on March 10, 1955. An underwriting group headed by Merrill Lynch, Pierce, Fenner & Beane will purchase any unsubscribed shares.

The company intends to apply the proceeds from the sale of these shares to the redemption on April 15, 1955 of its outstanding $2.10 cumulative prior preferred stock, and any balance will be added to general funds. The aggregate amount required for the preferred stock redemption will be $11,170,392.

Maryland Casualty Co. is one of the oldest and largest multiple-line stock casualty insurance and surety companies in the United States. In addition to the underwriting of insurance risks, the company is engaged in the investment and reinvestment of its funds, from which it derives a substantial income. The company is licensed to do business in all states of the United States, the District of Columbia, Alaska, Hawaii, Puerto Rico, the Canal Zone, the Virgin Islands, the Republics of Cuba and Panama and all provinces of the Dominion of Canada, except Prince Edward Island.

Bankers Offer May Dept. Stores Deben.

Goldman, Sachs & Co. and Lehman Brothers on March 1 headed a syndicate offering $25,000,000 of May Department Stores Co. 3¼% sinking fund debentures, due March 1, 1980, at 100% and accrued interest.

Net proceeds from the sale of the debentures will be added to the company's general funds to be available for general corporate purposes, including working capital and expenditures for additions and improvements to its facilities.

Projects under construction include three branch department stores—located in suburban areas of St. Louis, Los Angeles and Denver—which are scheduled to open during the coming summer and fall. A new 10-story addition to the company's Kaufmann's Department Store in downtown Pittsburgh is almost completed and will open in May.

The debentures will have a sinking fund requiring retirement of 3% of the debentures annually beginninng 1959 and 4% beginning in 1966.

The debentures will be redeemable through the sinking fund at 100% and otherwise than through operation of the sinking fund at 103¼% during the 12 months beginning March 1, 1955, with successive reductions annually to par on March 1, 1979.

The May Department Stores Co. and its subsidiaries operate 27 department stores, 10 of which are main downtown stores and the remainder branch stores. The 10 main stores are located in St. Louis, Los Angeles, Pittsburgh, Cleveland (two stores), Akron, Denver, Baltimore, Youngstown and Sioux City.

Form Equity Investing

BROOKLYN, N. Y.—Equity Investment Corp. has been formed with offices at 588 Nostrand Avenue to conduct a securities business.

Roger Hayes Opens

BUFFALO, N. Y. — Roger R. Hayes is conducting a securities business from offices at 236 Anderson Place.

Public Utility Securities

By OWEN ELY

Kansas Gas & Electric Company

Kansas Gas & Electric Company retails electricity to 142 communities in southeastern Kansas and supplies 13 at wholesale (it does no gas business). The principal cities served include Wichita, Newton, El Dorado, Fort Scott, Independence, Pittsburgh and Arkansas City. Total population in the area is about 436,000. The economy is largely agricultural but industries include coal, oil, gas producing, airplane manufacturing, flour milling and meat packing. The revenues of the company are well balanced—roughly one-third residential and rural, one-third industrial, and one-third commercial and miscellaneous.

Kansas is one of the most consistent growth states in the country. It is one of only three states (the other two are the Carolinas) which appear in all three lists—the 10 states that grew fastest in manufacturing during 1929-52, the 10 that showed the largest gains in agriculture, and the 10 with the most rapidly growing per capita income. Kansas gained three times as much as the U. S. average during 1951-53 in the percentage increase in manufacturing employment.

The company itself has shown rapid growth: 1954 revenues of nearly $25 million were about two-and-a-half times as large as in 1945, and the peak load nearly three times as big. Generating capacity was about three-and-a-half times that of 10 years previous, while the electric power industry as a whole increased its capacity 107%. The company's rapid growth was accentuated in 1954, when residential KWH sales were up 27% compared with the U. S. figure of 11%, and commercial and industrial gains were about twice as large as those of the U. S. New capability of 150,000 KW was installed last year and 115,000 KW is scheduled for operation in the spring of 1956. Plant capability now approximates 370,000 KW as compared with last year's peak load of slightly under 300,000 KW, indicating ample reserves.

Share earnings have shown a consistent upward trend from the $1.63 reported in 1944 to the $4 earned in 1954. The dividend rate was increased from 63c to $2.40 during the same period. (The rate was increased 20% in the third quarter last year, from $2 to $2.40.) Another interesting point is that the percentage of gross revenues which the company has carried down to net income (about 19% last year) has consistently exceeded the industry average around 14.

Despite competition with cheap natural gas in the area the company has maintained an aggressive sales campaign with respect to sales of electric ranges, laundries, automatic washers, dryers and ironers. It has had a substantial amount of commercial air conditioning for some time but the last two years have given a great impetus to residential air conditioning. This has aroused interest in the heat pump, and the company is planning several trial installations.

Acceptance of air conditioning helps promote the use of other major appliances, and the additional wiring required for room air conditioners of 240 volts also "breaks the bottleneck" encountered in the sale of electric ranges, etc. Average residential sales have reached 2,384, which compares favorably with the national average of 2,540 considering the availability of low-cost natural gas.

A special effort has been made to improve commercial sales which have gained 241% in KWH and 210% in revenues since 1944. As an indication of the progress made, the largest retail store 10 years ago had a demand of only 35 KW while today's super-market has a demand of 165 KW. Arrangements have also been completed for hotel and restaurant supply firms to sell electric cooking equipment along with other restaurant items, and include it in the over-all financing. Thus the company has been increasingly successful in promoting commercial electric cooking. This class of business is profitable and offers good opportunities for further development.

During the past decade the number of industrial customers increased 61% while revenues gained 146%. In addition to the establishment of new industries most of the existing industries expanded their operations. New products now being produced in the area include plastics, heavy chemicals, electric fans, dishwashers, air conditioning units, and magnesium and other light metal castings. As the company gets a considerable part of its industrial revenues from oil companies, it is interesting to note that petroleum reserves today are twice as large as in 1947. This results from both the discovery of new fields, and the development of new productive methods which tremendously increase the recovery from old fields.

The company has no regulatory problems. There has never been a general rate increase in the company's history, and residential rates average about the same as the rates in the larger cities of the TVA area for the full-use customer. Kansas is regarded as a fair value state. However, last year the company earned only about 5.9% on an original cost rate base.

Much of the company's advantage with respect to earnings is due to the favorable fuel situation. The company burns natural gas (now costing about 18c per mcf) but could easily shift to oil if desired. A small amount of coal is also burned.

The equity ratio is currently around 29% but will drop to 25% after current senior financing. However, the company expects to do some equity financing next year (probably 125,000 shares of common) and by the end of 1957 the equity ratio should be around 30%.

The common stock has been selling recently over-the-counter around 56 to yield 4.3%. This price represents about 14 times earnings, which is well below the average for the industry. The management is expected to give future consideration to a stock split and may also decide to ask for listing on a national exchange, but no timing is mentioned.

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LOS ANGELES, Calif.—Francis J. Mitchell has become connected with Dempsey-Tegeler & Co., 210 West Seventh Street. Mr. Mitchell was previously with Shearson, Hammill & Co., and Lester, Ryons & Co.

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BROOKLYN, N. Y. — Hutchinson Securities Inc. is engaging in a securities business from offices at 1118 East 9th Street.

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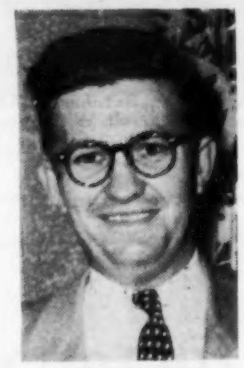

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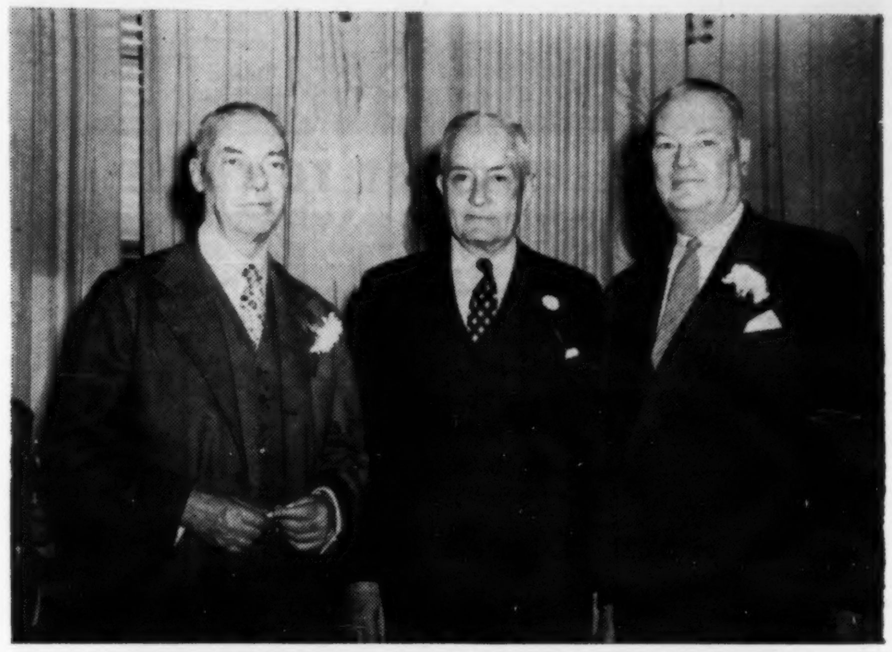

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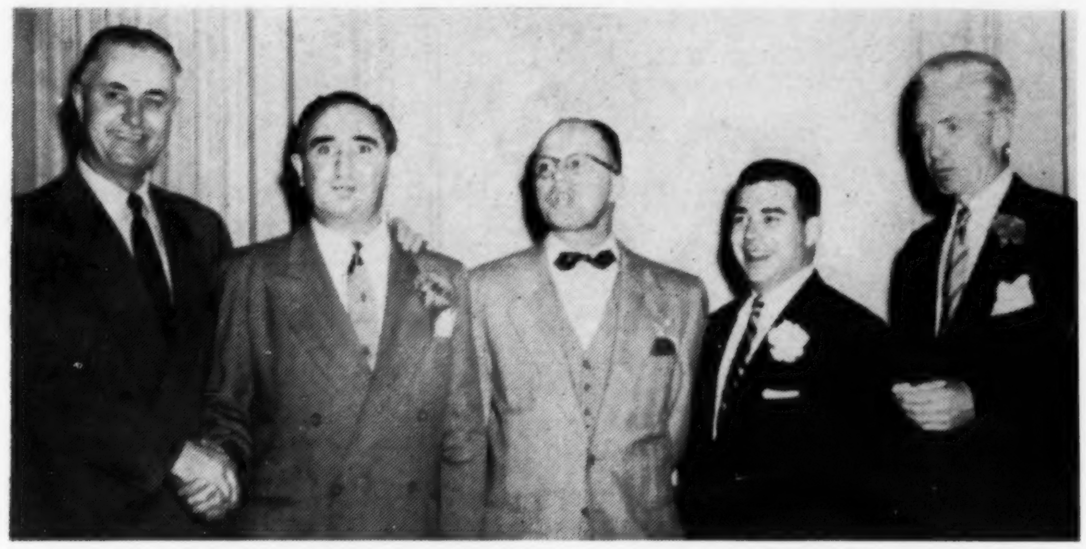

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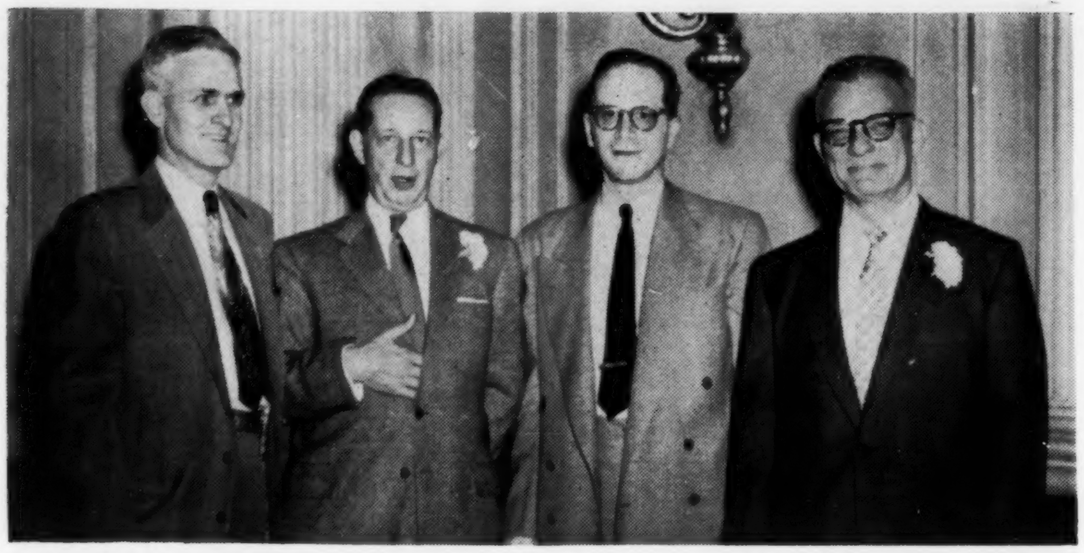

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Securities Salesman's Corner

By JOHN DUTTON

A Sale Made on the 'Phone

My first inclination was to write an explanation of what happened one day last week when I received a telephone call from a complete stranger who asked about a certain security which our firm had advertised in the morning paper. After several attempts I am reconsidering, and I am just going to tell you the story of what happened. Since the sale was successfully concluded, obviously my telephone technique was effective. We will analyze the procedure at the end of this article. I believe you will find it helpful.

"I would like to find out more about the ———— stock which you advertised in the paper?" The voice was clear and the tone immediately suggested that here was a person who wished to command a certain degree of authority and respect. "Yes, what would you like to know about it?" I replied. At the same time I lowered my voice and tried to show just a bit of deference toward the person at the other end of the wire, and without being condescending I waited for his reply.

"Is this a scheduled airline?" he asked. Now the thought entered my mind, should I introduce myself before answering the question or after. I answered, "It is a scheduled airline, and by the way, my name is Dutton, I am very pleased you called us about this, may I ask your name?" "My name is Cane and I am living at the La Porte Hotel until April 15," came back the reply.

"Fine Mr. Cane, I am pleased to make your acquaintance. Now anything more you would like to know about this company let's go ahead. I'll try and answer your questions, everyone of them." Then the questions followed, one after another. I did nothing more than give positive answers, without embellishment, to every one of them. My prospect was doing the asking and he was enjoying it. Finally he said, "How many planes does this airline own?" I answered. Then he got around to the question, "Are they new?" I replied, "The planes are not new but the motors are overhauled every 5,000 hours in accordance with CAB regulations." When I said that his voice lifted and with just a bit of agitation he replied, "I am from Detroit and in my town we call them engines, never motors. You never call an engine a motor, it just isn't done." Here in my opinion was the climax in this sale. If I had muffed it I don't believe he would have bought. But I smiled to myself before I spoke. I even projected that smile over the phone by the tone of my voice; I did it automatically.

I think it was the tone of my voice even more than what I said that turned him into my corner, and I said, "You know Mr. Cane, I've discussed this company for over two years with many of my friends and customers and I must confess I never knew that. You say engines, never motors. Is that right?" With that he warmed up, he started to laugh and I did too. This is the point where we got acquainted.

Then I took the ball. I brought out the strongest point concerning this stock that I thought would be of interest to any investor at this time. When I covered it I had his attention. He listened and I knew that he was beginning to like our opinions and viewpoint, and he seemed to like me.

I knew the order was forthcoming when I had finished my short talk about why we liked this company and considered the stock attractive. You can feel these things when you are on the telephone just the same, if not more so, than when you are face to face with a client. We concluded the sale, worked out the transfer requirements, and parted quite happy on both ends of the wire.

I believe that successful telephone selling depends upon an ability to determine the mood and the personality of the person to whom you are talking. After you have done this you can adjust your approach to fit in with his temperament. This man was catalogued at the beginning of the conversation. The tone of his voice indicated that he might be quite vain, not only about his accomplishments but also his opinions. The fact that he stopped at a certain hotel gave an indication of his financial status and possibly an extra clue to his own self-esteem. My deference without becoming too meek, and my allowing him to ask several questions before I gradually began to control the interview by giving him my name and then asking for his, was well timed. When he showed me that I didn't know anything about motors, or engines, or whatever you call them in Detroit, and I took it and was appreciative of the information, it put him in a position to tell me the answers—up to this point I was giving him definite, short, conclusive answers to every question he asked—now he had one on me.

After we were on an even basis of respect and friendliness we worked out the details of this transaction and the order had to follow. Of course, he agreed that the stock was attractive, but remember, he took my word for it over the telephone, a complete stranger in a strange city. I analyzed his personality and by doing so I was able to adjust my voice, my thinking, and my personality to his way of thinking. Telephone selling can be a great source of satisfaction and extra income, and the time you spend practicing it, studying your own reactions and the voices and statements of others to whom you speak, whether socially or on business, can be valuable no end.

Van Waters and Conant Join Associated Reciprocal Exchanges

George Van Waters, President of Van Waters & Rogers, Inc., Seattle, Wash., and Samuel D. Conant, President of Sligo, Inc., St. Louis, Mo., have been elected members of the advisory committees of the Associated Reciprocal Exchanges, it was announced March 2 by Schuyler Merritt, II, Chairman and President of Reciprocal Managers, Inc., the Attorney and Manager of the Exchanges, the oldest and largest preferred risk fire insurance group in the United States and Canada.

The properties of Van Waters & Rogers located in Seattle, Los Angeles, San Francisco, and elsewhere are participants in the fire coverage of this group. In addition to his duties as President of Van Waters & Rogers, Inc., Seattle, Mr. Van Waters is a Director of the Seattle-First National Bank, Lang & Co., and the Olympic Steamship Co.

Sligo, Inc., has been covered for fire insurance by this group since 1895. Mr. Conant also is on the boards of the St. Louis Union Trust Co., the St. Louis Children's Hospital, and the Barnard Free Skin and Cancer Hospital in St. Louis, and is a member of the advisory board of the Norton Co.

LETTER TO THE EDITOR:

Takes Issue with "Chronicle" Editorial

Stanislaus White of New York City voices his objections to "muddy statements" regarding our Far Eastern Policy in the editorial column of the issue of February 17. Defends U. S. action in Korea.

Editor, Commercial and Financial Chronicle:

The editorial in your Feb. 17, 1955 number so annoyed me with its muddy statements about our neglect of "custom and tradition" in "international relations" (referring to Asia) that it moves me to write this letter.

Take the first paragraph, as it appears on page 39, where you state that by steadfastly refusing to give diplomatic recognition to the communist regime in China, the U. S. has acquired the settled enmity of that regime. This statement is quite untrue and also stupid. The leaders of the present communist dictatorship in China acquired their enmity to the U. S. when they long ago became doctrinaire and fanatical believers in the communist doctrine of world "liberation" (or enslavement) under one communist dictatorship. This dogma has not changed.

Your second paragraph asks to what end was U. S. interference in the communist-Chinese conquest of Korea? The history of Korea is long and the struggle and will of its people to maintain their independence is clear. It is a long time since China conquered and ruled Korea. China has no "right" to own Korea any more than Napoleon had any "right" to conquer and rule Italy, which is an appendage (to use your description) of the European continent. Korea had a perfect right to call on any friend or ally to help her. This is perhaps the oldest of all "well accepted principles of international custom."

Can it be that your editorial writer doesn't know this?

The ally (in substance) that came to Korea's aid was the U. S.—though the issue was clouded by calling it the U. N. The "ends" of the U. S. were partly moral and partly self defense by attempting to restrict the ever-encroaching conquests of an avowed enemy.

Now, on your 4th paragraph *re* the island of Formosa: Formosa has a government hostile to, and now living in fear of, the communist regime on the mainland. Formosa's ruler was once the lawful premier of the whole Chinese Republic (and one of "the Big Four" allies against Hitler and Japan—remember!). The fact that he evacuated his government, under pressure of necessity, to Formosa is no reason in his mind, nor in the minds of most Formosans (take another poll if not satisfied), why he should accept, permanently, the conquest of his homeland. The Government and Queen of Holland evacuated the mainland of Europe and took refuge in an island off shore during the Nazi conquest. They refused to accept as permanent such conquest and did not give up hope. Does your editorial writer think it was wrong and to no purpose?

British Labour leaders have repeatedly suggested that the island of Formosa be abandoned by the U. S. or even handed over to its enemies. Yet under similar, and very recent, circumstances the island of Britain called desperately for U. S. help against conquest by the *mainland* hordes of Nazidom.

Formosa is very much further from the mainland of China than is England (a mere 22 miles) from the mainland of Europe. You have suggested that England's policy is realistic. I would answer by asking what would England have thought if the U. S. had considered such a policy "realistic" in England's hour of need—so recent, yet how quickly we forget!

To answer your last paragraph. How can you doubt that it is true that we must fortify and retain outposts for our defense? All the history of humanity is testimony to this. Whether our declared enemies approve or not, it most certainly is vital to have defense outposts and to help such allies as will help, and are now helping, us. These allies include, among the most valuable, the people of South Korea, the people of Formosa, of Thailand, the Philippines, Australia, New Zealand and many others who desire to remain free. We, the U. S., gravely need them all for we are few and the enemy hordes are many—maybe some one billion souls under communist command.

Most of these allies ask only for arms of all kinds and of these we have a surplus (as well as old butter!).

To end, I would suggest your editorial writer take his own advice and sit down and do a lot of "rethinking" especially about his fears of imperialism.

No nation can exploit another, to any degree, without conquest and no western nation has ever tried to conquer China—though China (Cathay, under the Khans) did conquer and thoroughly exploit (to put it mildly) some western nations, as well as all the central ones.

Then I would suggest he read "Our Oriental Heritage" by Durant—which is very easily read and most absorbing to the average adult. This book may give him some perspective on "international customs" of the past and help clear his mind from what seems very akin to the mouthings of the British Socialist party line.

Realism is very necessary but so, too, is Idealism. U. S. foreign policy in Asia tries to blend both and under the present Administration has done very well considering a difficult heritage.

To follow the British line would be folly, indeed (we had enough of that in Korea). In the present case it would better be called "desertion under fire" than "realism." To unnecessarily abandon our friends to the enemy's yoke, so that they later may be harnessed against us, is folly, not realism. The ruler of the Korean Republic has proved to the hilt his willingness to fight for independence and so has the ruler of Formosa, over a long period. Given weapons by us they can probably remain free; given full naval and air support by the U. S. they definitely can remain free. Let the matter rest there; we certainly owe no further explanation of our intentions (beyond what has already been given) to this insatiable and blood-thirsty communist-Chinese regime; nor will this communist-Chinese regime ever be friendly to the U. S., do or give what we may.

STANISLAUS WHITE

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CAPITAL 160,000,000 S. Fcs. — 1872 — RESERVES 75,000,000 S. Fcs.

Statement of Condition, December 31, 1954

ASSETS	Swiss Francs
Cash	306,738,143
Banks and Bankers	353,224,767
Bills Receivable	578,510,795
Short Advances	35,146,921
Advances to Customers, etc.	1,117,906,714
Government and other Securities	575,546,926
Other Assets	5,202,569
Bank Premises and other Property	12,500,000
Total S. Fcs.	2,984,776,835

LIABILITIES	Swiss Francs
Share Capital	160,000,000
Reserves	68,000,000
Sight Deposits	1,955,392,446
Time Deposits	476,597,114
Fixed Deposits ("Obligations")	206,286,500
Acceptances	44,107,659
Other Liabilities	50,066,873
Profit	24,326,243
Total S. Fcs.	2,984,776,835

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Continued from first page

Growing Companies in Growing Industries

non underlies the steady rise of investment values in a dynamic economy.

There are many fascinating phases in the field of growing industries and their relationship to investment values. Only two will be covered in these remarks.

(1) In the mass production and mass distribution industries, the importance of the dominant companies controlling a large percentage of the business of the industry is rapidly increasing, while the importance of the smaller secondary companies, with a small proportion, many of them operating on the thin margin of the break-even point, is declining.

(2) Many growing industries are for many years characterized by price instability and frequently by price wars. Under such conditions physical expansion is not accompanied by rising earnings. The disappearance of such price instability, accompanied by physical expansion, lays a basis for attractive enhancement in investment values.

Rise in Stock Values of Dominant Companies

The persistent rise in stock market values from the low in September 1953 to November 1954 was concentrated largely in the stocks of the dominant companies in the growing industries, the so-called Blue Chips. This rise has been widely ascribed to the buying by institutional investors. This fact is correct. Behind it, however, are a number of deep lying fundamental considerations that have operated to increase the industrial, stragetic, and financial power of these dominant companies. The strength of the underlying factors justifies the narrow yield differential between such stocks and high grade bonds.

The underlying causes, it is suggested, are the following:

First, is the institution of national collective bargaining. This method of trading between the employer and the employee is spreading. It replaces the bargaining between individual employer and individual employee. National collective bargaining requires the payment of the same wages by large and small employers, and by high cost and low cost employers. It requires the payment of the same wages to inefficient and to efficient employees, and to an increasing degree to relatively experienced as well as to relatively inexperienced employees. The ability of a small growing company to secure employees, perhaps non-union, at lower wages, thereby reducing labor costs, is reduced. Such a company can no longer offset large-company competitive advantages with lower labor costs.

Second, is the legislative mandate both on the national and on the state levels for the payment of minimum wages. Here again all employers in a given industry and frequently in even a larger section of the national economy, must pay at least a minimum wage to employees regardless of their efficiency or inefficiency. The Administration now proposes to increase the minimum wage from 75¢ an hour to 90¢ an hour. Union officials, however, supported by a considerable body of political opinion are pressing for a minimum wage of $1.25 per hour. It is proposed also to extend the coverage of minimum wages to the retail industry. Investors in securities of department stores, variety chains, drug and shoe chains, among others, will have to consider this problem most carefully. The increase in the minimum wage will probably exert further pressure on the trade position and finances of the smaller companies within the adversely affected industries — that is to say those industries with a high margin of unskilled labor costs to total costs. The small companies in competition with the larger enterprises with trade names supported by advertising will find it more and more difficult to compete on a price basis.

Third, is the increasing stress in social, political and economic circles on the necessity of eliminating, or at least of minimizing the business cycle and of maintaining employment. A large variety of fringe benefits climaxed by the guaranteed annual wage adds to the burden of overhead costs, and increases the break-even point. Generally speaking, only the well established and financed companies can absorb such a rising cost burden.

Fourth, the dominant companies with their well financed scientific and research staffs and their ample supply of capital and credit are steadily promoting the manufacture of by-products. Once the production technique is perfected, and the investment in a plant completed, the incremental unit costs are relatively slight. The raw material costs are frequently nominal. By-product exploitation is developing on a substantial scale in numerous industries. It is well exemplified by the continuous invasion by the large crude and refining oil companies of the field of petro-chemicals. From this source comes most of the rapidly expanding plant capacity of anhydrous ammonia. The small crude oil and oil refining companies have neither capital nor credit to enable them to compete with the larger enterprises.

Fifth, is the Federal system of taxation. The high corporate profits tax, combined with the even higher excess profits taxes in a number of postwar years, has again operated to benefit the dominant well financed concerns. In the postwar years they have been able to secure funds for their expansion from retained earnings and depreciation allowances. Their adequate and even substantial supplies of working capital have been supplemented by large security issues. The young and growing concerns in the growing industries have a difficult time in securing working capital after the payment of their heavy tax bills. The failure of many of the new and speculatively financed companies in the postwar years between 1945 and 1951, gave further support to the comparative advantages within a particular industry of the well established companies.

Sixth, another powerful factor has grown largely out of the forces already mentioned. Increasingly large proportions of the plant capacity devoted to the manufacture of new products in the growing industries are controlled by existing companies, or of new ones under their control. The scientific research to develop the new products and the engineering talent necessary to fabricate the equipment requires large investment. The well established enterprises in possession of the necessary funds and the managerial and scientific abilities are thereby able to achieve powerful differential advantages over their smaller competitors.

A sketchy list of newer products representative of rapidly growing industries, and brought out by existing concerns, is suggestive of the underlying truth. Nylon synthetic fabrics, synthetic polymers (in rubber, fibers and plastics), electronics, ethical drugs, television broadcasting, titanium, coal - hydrogenation, aerosel propellents, fluorine chemicals, chemical by-products of oil companies (as already noted), fibre glas, detergents, synthetic glycerine, numerous domestic appliances, and tractors afford an idea of the extent to which existing well financed enterprises have captured substantial shares of the market of growing industries.

Seventh, is the consciously promoted diversification programs pursued by existing companies. These programs have been devised in part to offset the sales and earnings instabilities of the capital goods industries and in part to avoid the exclusive dependence of earning power upon a single industry. To a considerable degree of course this factor ties in closely with the preceding. Diversification leads to the production of new articles in addition to the existing line.

The conclusion therefore emerges that the securities of the relatively few dominant companies in the growing industries represent strong investment values. They enjoy not only earning stability in consequence of their established line and control of a substantial proportion of a given market, but they also possess a sense of business adventure. They are the pioneers in many new fields. They therefore afford the investor a stable base of earning power and the benefits of the dynamics of industrial and profit expansion.

Dominant Companies Need Not Be Gargantuan

One further note is of some consequence. The dominant companies in an industry need not be gargantuan in size. A dominant company in a small industry may be relatively small in sales, as compared with a secondary company in a large industry. Some examples are Filtrol in catalysts; Rohm and Haas in its field of chemical specialties; Hooker Electro-Chemical in chlorine and chorine end products.

The next facet of the subject is concerned with price instability. There are many *physically* growing industries that occasionally lose their earning power. The economic doctrine that calls for price stability in an industry controlled by a few concerns is riddled with many exceptions. In the 1920's and 1930's such physically expanding industries as newsprint, paperboard, paperboard boxes, and rubber were unable to increase profits. Many companies which in the 1920's were unable to convert their sales expansion into profits and investment values fell into financial difficulties in the 1930's. In the post-World War II expansion a number of other growing industries have been unable to transform their rising sales into rising earnings. Since 1952, for example, the expansion in ethical drugs in many of its phases has been accompanied by lower earnings and lower market values for its securities. The same has occurred in alcohol and filament rayon.

Impact of Price Wars

The major cause for this discrepancy between increasing sales and declining earnings is the emergence of price wars. The causes of price wars are numerous and the investor must keep an exceedingly sharp eye on their development. Most significant, and perhaps classical in the extent of its movement, was the decline in a few months of more than 90% in the price of penicillin. The victims were the stockholders of such outstanding concerns as Merck, Commercial Solvents, and Heyden Chemical, among others. No statement by the company, or by representatives of the industry prepared the investor for the shock of the decline in selling prices, stock prices and earning power.

A price break sufficient to convert profits into losses is always a possibility. There are, however, no rules or tendencies or laws expounded by economists, trade observers, or analysts that can insure investment safety. Here, as in so many other activities, continuous care and study is the price of investment safety.

In conclusion one significant observation should be noted. Though only two facets of the subject of growing industries have been examined, there are many others, particularly that of latent obsolescence. Despite the many pitfalls, long-term investment values lie largely in growing industries: locate the growing industry, and the dominant companies with financial strength, adequate working capital, and access to credit markets, combined with sound management. These are the raw materials, as I see it, from which sound investment values are created.

Continued from page 13

The Paper and Pulp Industry's Stake in Freer World Trade

the American labor and capital involved were devoted to producing goods which we, in turn, make more efficiently.

The drag of protective tariffs on our own economic development is especially relevant to American exports. Our tariff barriers hinder our exports by preventing foreigners from earning sufficient dollars in the American market to pay for American goods they want to buy and we want to sell. We cannot continue to export some $17 billion annually in commercial goods and services unless foreign customers are able to pay for them by increased exports to us. Of course, we could continue to subsidize our exports through government aid and loans to other countries — which amounted to some $32 billion from 1946 through 1953. But neither the American taxpayers nor our allies abroad want to perpetuate such a dole system with its mutually harmful political and economic connotations.

Trade, not aid, is the best way to close the dollar gap—and it is essential to give American manufacturers and farmers a fair chance to compete in the world's markets. When we excluded Danish blue cheese, for example, the Danes — deprived of this means of earning dollars—stopped buying American coal and turned to Poland. By denying foreigners a fair chance to sell in our market, we inevitably deny our manufacturers and farmers a fair chance to sell in foreign markets. Worse, we unwittingly force our allies into closer ties with the Communist world.

I sometimes wonder if all of us realize how important American exports are to our economy—indeed, to our own industry. More than three million Americans, including some 10% of our industry's employees, owe their jobs to American exports. Many sectors of American manufacturing and agriculture sell a large part of their output abroad. These people — manufacturers, farmers and wage-earners — are vitally important to all of us here. They are substantial customers of the paper industry. The level of their exports and the size of their paychecks make a considerable difference in the amount of paper products they buy from us.

I am suggesting that we look beyond the direct exports of our own industry to appreciate the full significance of our commercial stake in world trade. Last year the **direct** exports of our industry were well in excess of $200 million—a not inconsiderable sum in itself. But our indirect exports — occurring through our industry's sales to American producers who, in turn, export—are also significant.

Let me give you a few examples of the importance of our **indirect** exports—based on a Department of Commerce study.

This study shows that in 1947 each million dollars of motor vehicle deliveries required the production of $3,600 in our pulp mills — $8,500 in our paper and board mills—and $10,100 in our converted products plants. On this basis, the 1953 exports of $1.4 billion in motor vehicles required production in our pulp mills of $5 million—in our paper and board mills of $12 million—and by our converted products manufacturers of $14 million. If motor vehicle exports were to fall by roughly one-half to their 1950 levels, the required production in our pulp mills would also fall by some $2.5 million—in our paper and board mills by more than $6 million—and in our converted products plants by $7 million.

The Department of Commerce study also indicates that electrical equipment and industrial machinery exports accounted for a substantial portion of our industry's production. These exports, together with motor vehicle exports, made up one-quarter of total American merchandise exports in 1953. Any significant decline in such exports would seriously affect our sales receipts. If, for example, American exports were to drop to 1950 levels, our own export sales would decline by one-half to approximately $100 million. Our indirect exports would also decline by an estimated $32 million. This total decline of $132 million would be at least **four times** the value of dutiable imports of paper and paper products.

I think these examples pose for all of us a very real issue regarding the self-interest of our industry in world trade. High levels of American exports mean substantial sales and profits and jobs to our industry. High levels of American exports require increased imports so that foreigners can earn dollars to buy our exports. Increased imports require liberalization of present American trade restrictions. Thus, freer world trade has become essential to the preservation and growth of our own domestic markets.

It seems to me that the threat of foreign competition to our industry has been greatly exaggerated. Let's look at the record again. Since the early 1930's our duties on paper and board imports have been reduced by two-thirds. In the process, dutiable imports have increased from about **one-half of one per cent to slightly less than one per cent** of comparable domestic production. I should think we would have considerable difficulty convincing anyone that our industry has suffered from tariff reductions on dutiable imports.

Moreover, I do not see how our industry could suffer under the further tariff reductions recommended by President Eisenhower. The present duties on an estimated majority of dutiable paper imports are already at the minimum rates which would be al-

lowable under the pending legislation. True, duties on other items could be slightly reduced — but such imports represent only a negligible proportion of domestic output. Indeed, I doubt that even the complete removal of all tariff duties on paper and paper products would have very much effect on domestic paper production.

The fact is that our industry, with only a few minor exceptions, has become so strongly competitive that it is highly impervious to any foreseeable foreign competition.

I think we should recognize that some increase in foreign competition might well have desirable results. In general, foreign competition stimulates us to greater efficiency, higher quality and more diversity. A good example of this is what happened in the newsprint field, which usually is cited to show the injury caused by tariff reduction. I suggest that there are three other conclusions that can be drawn from the newsprint experience.

The first conclusion is that competitive adjustments from foreign competition are basically no different than competitive adjustments from domestic competition. I daresay that those American newsprint producers who had a competitive struggle because of more efficient Canadian producers would have had a similar struggle sooner or later with more efficient American competitors — such as those now producing newsprint in the Southern States. This happens every day in our economy. It has happened and is still happening in domestic competitive adjustments in wrapping and other papers, which have tariff protection. And there is also an ebb and flow of competitive adjustments on duty-free items. American newsprint and wood pulp production has been expanding because new domestic production can meet foreign competition and still earn a profit. Such producers have made a deliberate and free choice to enter the market—without benefit of tariff—and this is the economic freedom we all advocate.

The second conclusion is that greater foreign competition in newsprint stimulated us to improve and diversify our products. In this sense, foreign competition serves the same purpose as domestic competition—both promote the most efficient use of our human and physical resources. The movement of labor, capital and management in a continuing endeavor to improve production and reduce costs, under the stimulus of competition, is the vital and dynamic element in the growth and efficiency of our free enterprise system. Our economy—and indeed, our own industry — has convincingly demonstrated its flexibility and adaptability in adjusting to competitive changes, including those occasioned by tariff reduction. Perhaps no industry in America has faced more intensive foreign competition than the paper industry faced in the newsprint situation. Yet we persevered—we maintained ourselves—we diversified—and we grew. We emerged from the adjustment period far stronger and more vigorous than before—to the benefit both of our industry and of our whole economy.

The third conclusion is that an expanding economy is good for all of us—but a contracting economy is bad for all of us. The removal of the newsprint tariff before World War I did not immediately create competitive difficulties for domestic producers. In fact, our domestic newsprint production expanded significantly after World War I because of expanding markets. Our production of 1.7 million tons in 1926 was 29% higher than in 1913 when the duty was removed. The real difficulties came not so much from foreign competition as from subsequent depression and sharply contracting markets. Then we were all being hurt—and not only in newsprint. Kraft paper, despite tariff protection, sold at or below the price of newsprint.

I suppose that even now we could recapture a large share of the American newsprint market by reimposing a sufficiently high tariff. What would we accomplish? We would wreck Canada's largest dollar-earning industry. This, in turn, would force Canada, our largest export customer, to curtail its purchases of American goods. As a result, many American industries would be forced to cutback production—lay off employees, increase prices, etc. In the final analysis, our industry would suffer along with everyone else in a contracting economic situation, because we sell paper to everybody.

All this adds up to the fact that the future of our industry depends upon the expansion of the American economy. Freer world trade will promote the expansion of the American economy which, in turn, will promote the growth of our industry. The more American manufacturers and farmers can sell abroad—the more products they can buy from us. Moreover, freer world trade—by maximizing our economic efficiency—will raise our standards of living and enable all Americans to consume more of our products.

All this has been convincingly demonstrated since World War II. Between 1946 and 1953, our industry's production increased some 38%—with good profits and with constantly increasing earnings by our employees. This unparalleled growth took place as tariffs have been reduced, as our total imports and exports have increased, and as the free world has operated at higher levels of economic activity. Fundamentally, our industry grew because the American economy and the free world economy were expanding.

It seems clear to me that it is in our interest—as an industry—to do our utmost to promote the expansion of the American economy within an expanding free world economy. Freer world trade can contribute to such expansion. Restricted world trade will certainly contribute to economic contraction. Freer world trade can contribute to the strengthening and solidarity of our free world alliances which shield all of us from war or creeping communist imperialism. Restricted world trade will certainly contribute to the weakening and disruption of our alliances and increase the danger of appeasement and war. As President Eisenhower said last year, "If we fail in our trade policy we may fail in all. Our domestic employment, our standard of living, our security, and the solidarity of the free world—all or involved."

Let us not fail **our** responsibilities — but exercise them wisely and courageously for the benefit of our industry and our nation.

P. & S.-Tab Division Elects New Officers

The following officers of the Purchases and Sales-Tabulating Division of Wall Street, Association of Stock Exchange Firms, have been elected for the term of one year:

President—Anthony P. Rizzuto, of Hayden, Stone & Co.

1st Vice-President — Albert J. Eisenberg, of Bache & Co.

2nd Vice-President — Raymond Schibowski, of Hirsch & Co.

Treasurer — Carmine Carmello, of Richard J. Buck & Co.

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Financial Secretary — Michael Soga, of Laidlaw & Co.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

[FIRST OF TWO ARTICLES]

Insurance has long been an essential to society, and with our greatly complicated economy today we could not get along without it. For its origin we have to go back more than two centuries; and in this country we can boast one leading company that started business more than a century and a half ago, with others of 100 or more years of activity. Some of the old names were more descriptive of the business than are many present titles, e.g., Philadelphia Contributionship for the Insurance of Houses from Loss by Fire, founded 1752.

Until a few years ago the writing of so-called fire lines of coverage and of casualty classifications by one company was not permitted in most states. As many companies sought to sell both forms of coverage, and in the process use their agents more intensively, it led to the formation of "fleets," or aggregations of affiliated units managed by a parent company, some of the subsidiaries underwriting fire lines, others casualty-surety lines. In some instances new wholly-owned affiliates were formed for the purpose, while other top companies bought up existing units.

Fleets are of various sizes numerically, from two to six, or even more companies. But recent legislation in some states legalizing multiple-line writings by single companies has lessened the need for numerous fleet members, and we are beginning to see what may be a trend toward mergers within fleets.

Another move looking toward economy of operation is to write package policies that will cover the insured on several risks, let us say against the burning of a home, and its household contents, and the extended coverage risks.

Among the lines embraced by the fire insurance carriers are fire, ocean marine, inland navigation, extended coverage, automobile fire and theft, and hail. Among the principal casualty lines are workmen's compensation, auto liability, liability other than auto, auto physical, surety, fidelity, accident and health. But companies in both fields are writing more and more of the other's lines.

The basic part of an insurance company's business is its underwriting operation. However, it holds large amounts of funds such as the unearned premium and other reserves, and some of these reserves are put to work in the securities markets to increase earnings. Thus there are two sources of gross income: premium writings and income from investments.

In the simplest form, premium writings are used, first, to increase unearned premium reserve where this is required, to pay losses and the expenses incident to settling claims, and finally to pay the general expenses of the underwriting end of the enterprise. The net of this is the statutory result, and this may be a profit or a loss depending upon the measure of underwriting losses and expenses applicable to underwriting activities of the company. The so-called loss ratio is arrived at by relating the losses to earned premiums.

The expense ratio is the percentage of underwriting expenses to net premium writings. Earned premiums are net premiums minus or plus the change in the unearned premium reserve for the period under consideration. By combining these two ratios the combined loss and expense ratio is determined, and this deducted from 100% gives the underwriting profit margin. This is a good measure of the success of the company's underwriting activities, particularly if it is taken for a longer period so that years of profitable operation may be offset to years in which losses are sustained.

In addition to statutory underwriting profit (or loss) another factor enters into most authorities' calculations of underwriting earnings. This is an equity in the change in the unearned premium reserve. This also may be plus or minus, depending on whether in the period the unearned premium reserve has increased or decreased. The generally accepted equity figure is one of 40% of the change in the case of fire companies. For casualty units some authorities assign a 35% equity in the change; some treat it as a variable to be calculated on a basis of the company's experience over, say, a five- or a ten-year period.

The basis for assigning this equity in the change in the premium reserve is that in a general sense the company's existing business could be reinsured or could be allowed to run off to termination to show this amount of recovery to the shareholder.

To the combination of the statutory underwriting result plus (or minus) the equity in the change in the unearned premium reserve, is added the income from investments, net after deduction of the expenses connected with investment operations. This gives total earnings before Federal income taxes. Tax rates applicable to the statutory gain and those applicable to the investment income may differ widely; and there may be a substantial difference in the tax assessment against a primarily equity holding company versus one that holds taxable bonds. This arises from the fact that dividends paid by domestic corporations to other corporations are subject to a tax rate of only 15%. In its investment activities the management thus must choose between paying only 15% on the income from common stocks and the portfolio vulnerability that develops in major bear markets. In a general sense this marks one of the differences between fire and casualty companies, for by the nature of its business a multiple-line casualty writer must be relatively liquid as the claims against it may involve persons (workmen's compensation, for example) whereas the claims against a fire company are for property losses.

Editor's Note: The second article in this two-part series will appear in our issue of March 10.

NASD Committee Chairmen

Harold E. Wood Allen C. DuBois

Harold E. Wood, Harold E. Wood & Co., St. Paul, Minn., Chairman of the Board of Governors of the National Association of Securities Dealers, and Chairman of the Executive Committee, Allen C. DuBois, Wertheim & Co., New York City, Chairman of the Finance Committee.

Merrill Lynch Groups Sell Utility Shares

Offerings of 505,000 shares of common stock (no par) and 50,000 shares of $4.20 cumulative preferred stock (no par) of Carolina Power & Light Co., which were made on Feb. 25 by two underwriting groups headed by Merrill Lynch, Pierce, Fenner & Beane and R. S. Dickson & Co., Inc., were quickly oversubscribed and the books closed. The common stock was priced at $24.50 per share and the preferred stock at $99.50 per share, plus accrued dividends from Jan. 1, 1955.

The net proceeds from the sale of the preferred and common shares will be used to provide additional electric facilities and for other corporate purposes. To meet the growing demands for electric service in its territory, the company estimates that its construction expenditures during the period from Jan. 1, 1955 through the year 1956 will approximate $45,000,000. It is estimated that $22,000,000 will be expended in 1955 and $23,000,000 in 1956.

Upon completion of this financing the outstanding capitalization of the company will consist of $106,142,500 of funded debt; 237,259 shares of $5 preferred stock; 50,000 shares of $4.20 series cumulative preferred stock; 50,000 shares of new series cumulative preferred stock; and 4,600,000 shares of common stock.

Carolina Power & Light Co. is an operating electric utility engaged in the business of generating, transmitting, distributing and selling electric energy. The company renders electric service at retail in 198 communities, the largest of which are Raleigh, Asheville, Wilmington and Goldsboro in North Carolina and Florence and Sumter in South Carolina. Estimated total population of the area now served by the company is in excess of 2,000,000.

BREAKDOWN OF—

Govt. Bond Portfolios
Sources of Gross Income
16 N. Y. C. Bank Stocks

Circular on request

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Continued from page 20

The SEC and Proxy Contests

Although the Commission has power to seek an injunction in the courts for the correction of misleading statements, in practice it has rarely been necessary to invoke such a drastic remedy. The administrative processing by the staff and administrative rulings by the Commission usually result in appropriate and timely disclosures without the necessity of recourse to the courts.

Problems of Constitutional Guarantees Are Involved

Neither you nor the Commission can assume, however, that the thrust and parry in a contest for control are merely matters for the Securities Exchange Act of 1934 and the Commission's proxy rules under that statute. The problem involves some constitutional guarantees, such as freedom of speech and of the press, which are great bulwarks of American liberties and afford some measure of fair dealing if not abused. On the other hand, contestants should not expect to be free to take unfair advantage of traditional freedoms and of the public by using the press as a tool to accomplish indirectly that which the proxy rules prohibit if done directly.

A proxy contest for election to a corporate office is somewhat like a campaign for an election to a political office. A good deal of freedom for candidates in political contests has been traditional in American life. The Commission has always believed that in contests for control of corporate offices there should likewise be freedom to define the issues believed to be involved and that a wide range of debate and argument should be left to the contestants subject, however, to the rule which springs from our statute that investors must not be misled. The Commission's proxy rules thus are designed to assure that basic facts are disclosed, but to leave a wide area for fair comment by the contestants. As I see it, this is the basic philosophy.

In proxy contests of great intensity and publicity, as in the New York Central, American Woolen and New Haven cases, the Commission is confronted with questions as to when solicitation begins and what constitutes proxy soliciting material subject to the rules.

The term "solicitation" is defined in the proxy rules to include "(1) any request for a proxy whether or not accompanied by or included in a form of proxy, (2) any request to execute or not to execute, or to revoke a proxy, or (3) the furnishing of a form of proxy to security holders under circumstances reasonably calculated to result in the procurement of a proxy." In addition, through judicial decisions it appears that the Commission's authority extends to any writings, whether or not they strictly solicit a proxy, which "are part of a continuous plan ending in solicitation and which prepare the way for its success."[3] The interpretations of the courts of the meaning of the term "solicitation" so as to include activity preceding the formal solicitation are extremely important.

Regulation of Proxy Solicitations

In a proxy campaign, especially one involving one of our large corporations, as soon as there are announced intentions to engage in a proxy contest, public statements made by the contestants are generally made with the impending proxy solication in mind, and are calculated to induce eventual success. Consequently, in these situations the Commission takes the position that publication of preliminary letters, advertisements and prepared announcements, even though neither side has as yet requested the execution of a form of proxy, are properly to be considered as a step in a solicitation of proxies within the meaning of the Commission's proxy rules. This is true whether or not the material is to be distributed directly to security holders, so long as in fact the intent and effect of it is to align public opinion and the opinion of present and prospective security holders to the cause of the individual or group issuing the material.

Let me emphasize at this point that the proxy rules do not prohibit the release or distribution of soliciting material. The rules merely require that such material be filed with the Commission prior to its release to the public and that it conform to regulations designed solely to provide security holders with a fair presentation of the information necessary to an informed consideration and ultimate decision by them.

As you are well aware, the press, particularly at the inception of a campaign in respect of the control of one of the large corporations, becomes intensely interested in the views of contestants. Frequently such views are solicited by the press itself by means of requests for press conferences and radio and television news programs. Apart from the question of the freedom of the press, to which I alluded a moment ago, the Commission has never questioned the propriety of contestants to answer inquiries made by the press which have not been stimulated or induced or "planted" by the contestants. We have always recognized that any requirement that such answers be first communicated to or filed with the Commission would be hopelessly impractical. As a consequence, even though the answers given to unrequested press inquiries may be actually of a soliciting character, they have not been and are not required to be filed with the Commission. It must be obvious, however, how easy it could be to take advantage of the ostensibly spontaneous press inquiry which in fact is a carefully maneuvered part of a skillful campaign.

What is required, however, is that when a transcript of such questions and answers is sought to be distributed in connection with formal soliciting efforts, it must be filed with the Commission. Also, a prepared speech or a prepared release for inclusion in a newspaper or magazine or in a television or radio program is proxy soliciting material if it is intended to condition public opinion and the opinion of stockholders favorably to the publishers of such releases and speeches. We have, therefore, consistently held that such material must be filed with the Commission for processing by the staff prior to its use. This has not caused timing problems, even when a prepared news release, to be newsworthy, must be disseminated promptly. In such cases, where necessary, we have permitted a telegraphic or telephoned version of the release to be "filed" with us and have processed it within a short period, often the same day, of such "filing."

Experience with many contests for control of corporate management indicates the importance of having literature, used by the competing parties in the period prior to the actual request for execution of a form of proxy, subjected to scrutiny pursuant to the proxy rules. Otherwise, the unrestricted use of such literature at the preliminary stages of a contest could effectively destroy the usefulness of the proxy rules to assure security holders fair disclosure regarding the matters on which they are asked to act. For this reason it has been settled administrative practice for the Commission to insist that preliminary literature be filed pursuant to the proxy rules before its use, and, as I indicated earlier, this administrative practice has received judicial support.

Much of the same considerations apply to the use in proxy contests of reprints of newspaper and magazine stories and articles, published reports, and letters. In some cases the reprint sought to be used is a news story or a magazine article written by some person not involved in the proxy contest, which had been written and released in its original form under circumstances where the proxy rules had no application, but which one side or the other seeks to disseminate because it considers the material favorable to its cause. Obviously, such reprints could contain misleading statements or material omissions when viewed as proxy soliciting material.

The proxy rules could be easily circumvented and abused if statements which would be considered misleading and improper as proxy soliciting material could be freely circulated or given publicity by the parties in a proxy contest solely on the ground that such statements had already appeared in publications, the preparation and release of which had been accomplished apart from the proxy rules. Accordingly, the Commission has insisted that such material, whether or not prepared by or on behalf of the contestants, if used, must be filed as soliciting material prior to its use. Furthermore, in reviewing reprints of material which in its original form was not subject to the proxy rules but which is intended to be circulated or published by one side or the other in a proxy contest, the Commission has scrutinized such material in the same way it would scrutinize material originally prepared specifically as proxy soliciting material.

The Source of the Material

Where material emanates from one side or the other, stockholders are in a position to weigh for themselves possible bias. Where apparently independent magazine, newspaper or investment advisory articles are used, however, it is necessary to determine whether such material has in fact been originated, inspired, or paid for by one of the opposing parties, so that any lack of objectivity or independent comment in the presentation of the material may be spelled out to shareholders to assist them in appraising the material. Thus, the Commission has followed the practice of inquiring of a participant in a proxy contest whether or not he has instigated or paid for the preparation of apparently independent favorable material which he proposes to distribute, and, if so, to disclose this information in his soliciting material.

In some instances parties in a proxy contest have addressed letters or telegrams to the Commissioners or Division staff members—I am referring to the staff members of the Commission's Division of Corporation Finance which, as you know, has charge of processing the proxy soliciting material—for the purpose of using such communications as additional proxy soliciting material to be distributed to stockholders or otherwise publicly released. The use of such communications as proxy soliciting material containing, as they frequently do, self-serving declarations favorable to the user, has been considered misleading as implying, contrary to fact, that the Commission or individual Commissioners or staff members have agreed with or vouched for the partisan statements contained therein.

The use of such material would not only be a violation of the proxy rules, but it would inevitably embroil the Commission in partisan proxy fights. Consistent with the policy of the Commission to remain on the sidelines in proxy contests so far as its statutory responsibilities permit, the Commission has consistently taken the position that the use as soliciting material of communications to or from the Commission or Division would be objectionable.

The objection, of course, has applied only to the use of material in the form of a communication to or from the Commission, and there would be no objection to the use of the same data in another form if otherwise unobjectionable as soliciting material.

The Position of SEC in Use of Soliciting Material

A problem closely allied to the question of the use as soliciting material of communications to the Commission is the question of the use in soliciting material of references to the Commission. At this point I want to emphasize that the Commission does not approve or disapprove material filed with it pursuant to the proxy rules. The Commission's position in this respect derives from Section 26 of the Exchange Act and is comparable to its position with respect to registration statements pertaining to new issues of securities under the Securities Act of 1933. The Commission does not approve registration statements or new securities and to represent that it does, under Section 23 of the Securities Act, is a criminal offense. So, under the Exchange Act, the Commission does not approve proxy soliciting material. Accordingly, references in soliciting material to the Commission which state or imply that the Commission has "approved" or "cleared" or "sanctioned" the material are considered objectionable. In this connection, I should mention that the proxy rules contain no requirement that proxy material include a legend indicating that the Commission does not approve or vouch for the representations made. In any future revision of the rules such a requirement will be considered. The Commission's scrutiny of proxy material does tend to prevent the use of misleading facts or to correct them but it cannot guarantee such results. As a corollary to the fact that the Commission does not approve or disapprove statements made by opposing sides in proxy contests, I wish to emphasize also that the Commission is not responsible for the accuracy or adequacy of the material filed with it. The ultimate responsibility for the correctness of the information furnished to the security holders must rest upon those who prepare and distribute it.

Commission Role Still Misunderstood and Misconstrued

Notwithstanding 20 years of administration of the Securities Acts, the Commission's role with reference to new security issues and proxy statements is still misunderstood and misconstrued, not only by the public generally, but also by many writers and others who should by now know better. The Commission administers the statutes, in accordance with the purpose the laws express, to secure fair and adequate disclosure for the protection of the public and the public investor. We are concerned with the enforcement of the statutes and maintaining the integrity of the statutes and our rules in terms of these standards. We do not express opinions concerning or approve or disapprove business transactions or matters submitted to stockholders for their action. We do not take sides in proxy contests. It is not our function to champion, or to oppose, any party concerned in election of directors or any other corporate project presented to security holders for their approval by the companies subject to our proxy rules. Our job is to require impartial fair disclosure of essential relevant facts to the investing public. The administrative procedures which have been successfully aplied for so many years to the Securities Acts for this purpose have been brought to bear on the proxy rules.

We are bound to seek to enforce our proxy rules. There are two ways in which this could be accomplished. We could review material filed with us and institute court proceedings to compel compliance with our requirements. In other words, we might lie in wait, so to speak, and pounce on the person who violates or threatens to violate by bringing legal action in the Federal courts to prevent the use of inadequate or misleading information.

The other procedure—the one which is followed—is to advise persons involved of the respects in which it appears corrections or changes should be made. Our willingness to comment on material and in fact assist people to comply with the statutory standards has led quite naturally to the custom, almost universally followed, of securing from our staff some expression of objection or non-objection prior to the use of proxy material. This non-objection has become foreshortened to "approval" and gradually the idea has become accepted that we "approve" or "refuse to approve" material and that, finally, "refusal to approve" is in fact a prohibition, all of which is a misconception of our function.

One popular misconception is that the Commission approves or prohibits the use of proxy material. A second misconception is that the Commission can by the exercise of some administrative power, prohibit the holding of a meeting or the voting of proxies. A third misconception is the idea which seems to be held that the Commission has a duty to participate in litigation or to initiate litigation for reasons and concerning issues which have nothing to do with our administrative responsibilities.

A Few Basic Truths

The following are a few basic truths, based on the statute we administer. The Securities and Exchange Commission has no power under the law to and does not approve the use of proxy material, nor can it prohibit the use of proxy material without obtaining an injunction in a Federal court. The Commission cannot prohibit the holding of a shareholders' meeting, the Commission cannot require the postponement of a shareholders' meeting, the Commission cannot compel or prohibit the voting of proxies. Jurisdiction to perform these functions rests in the courts alone, not in the Commission.

We will begin a court action or participate in a court action only when a problem of construction of the statutes or rules which might affect their administration is involved or when it appears to us that a violation has occurred. We do not defend proxy statements or registration statements before the courts, nor do we attempt to assert before a court that a person has complied with the rules. To attempt to do so would be administratively impossible. The burden is on the party in possession of the facts to assert the facts which support his contention that he has not violated the law. In proxy matters, it must always be borne in mind

3 *SEC v. Okin*, 132 F. 2nd 784 (C. A. 2nd 1943); *SEC v. Topping*, 85 F. Supp. 63 (S. D. N. Y. 1949).

that the parties involved are the only ones in possession of all the facts or in a position to secure them quickly and accurately. It must also be borne in mind that the institution of litigation is not solely the prerogative of the Commission. Stockholders and opposing sides may sue, asserting false and misleading representations under our statutes, and all manner of offenses under state law or other Federal laws. The Commission must maintain at all times complete freedom to appear in court in any case should that course appear necessary to compel compliance with the statutes and aid the courts in this purpose.

In the ordinary situation where business facts, accounting principles, or discussions of financial or business matters are at issue, our staff is competent and able to arrive at some working basis with the parties involved in securing what appears to be fair disclosure.

As I mentioned earlier, however, in a proxy contest sometimes there develops an effort to launch a public attack upon the character of an individual. Usually such an attack mentions people, places or events which by their very nature are such that we have neither the time, manpower nor competence to make even a cursory check as to fairness and accuracy. In addition, these may be couched in terms which necessarily raise serious questions whether they are in fact not misleading and inaccurate or omit other facts necessary in order to make the whole not misleading. Usually we warn against the use of such material absent an ability and willingness of the proponent to supply complete and adequate supporting and corroborating data. In most instances in the past these data have not been forthcoming. In a few cases in which we have been pressed notwithstanding warnings at staff level, the Commission has taken the position that the use of such material is contrary to the standards of fair disclosure unless it is in fact true and not misleading and that such material if used must be at the sole legal risk of the person proposing to publish it. The Commission reserves complete freedom to seek an injunction in the Federal Court should it appear that the standards of our rules have not been met.

Out of this administrative practice and policy has come the notion that we "prohibit" the use of material of this character. The fact of the matter is, as I have already stated, only the courts can "prohibit." However, it has been our experience in these cases that without some assurance that the Commission will not at some later date appear in court alone or with the opposition charging a violation of law, the risks involved in publication of such material have not been assumed. It should be readily understood, therefore, in connection with potentially libelous and defamatory material that the Commission is concerned that no action by it or its staff in commenting or failing to comment upon such material is to be construed as having in any way indicated approval of material for its release or in any way having diminished the primary responsibility of the person who publishes it.

Categories of Misleading Statements

The Commission's experience in the administration of the proxy rules in connection with contests for control of management indicates that the problem with respect to potentially misleading statements of and omissions of material fact tend to fall into one of several general categories:

(1) Distortion of business or financial facts for the purposes of creating inferences or impressions favorable to the contestants which are unwarranted by the underlying facts;

(2) Expressions of opinions or conclusions concerning the operations of the company not supported by, or contrary to, the known facts or the facts asserted to substantiate or establish a basis for the statements made;

(3) The use out of context of statements made by courts, Congressional committees and administrative agencies and similar bodies or reference to indictments or unproven charges or similar matters under circumstances which imply or infer conviction or guilt which has not in fact been established;

(4) The expressions as fact of that which should be clearly identified as opinion;

(5) Resort is had, without supporting facts, to personal attack by association with criminals, Communists or references to illegal acts or events generally regarded as contrary to the public interest, or by the use of reprints or extracts from newspapers and periodicals of a generally derogatory nature;

(6) The use of libelous, defamatory, scurrilous or similiar material;

(7) Claims, promises or projections as to future earnings, dividends, sales and increases in value of assets or stock based on mere conjecture or distortion or reconstruction of past operating results of the company without regard to generally accepted accounting, statistical or financial principles.

This summary of some of our experience in the administration of Regulation X-14 as applied to proxy contests is designed to help eliminate unnecessary delays and other impediments in the processing of soliciting material by the Commission's staff and the dissemination of relevant and truthful material to security holders.

Also, you will recognize that if these few but important ground rules which I have mentioned are followed, the risks of administrative delays and court proceedings will be materially diminished. Every one that I have mentioned resulted from actual experience with specific cases and in each instance the principle involved was hammered out administratively in an effort to hew to the line of fair disclosure for the benefit of the investing public.

Schneider, Bernet to Be Members of NYSE

DALLAS Texas—As of March 10, Schneider, Bernet & Hickman, Inc., Southwestern Life Building, will become members of the New York Stock Exchange. Officers of the firm are J. Wesley Hickman who will hold the Exchange membership, President; Jules E. Schneider, Vice-President and Treasurer; A. E. Bernet, Jr., Vice-President and Secretary; W. L. Jack Nelson, Vice-President; and Morris J. Keil, Assistant Secretary and Assistant Treasurer.

Underwood Neuhaus To Be NYSE Members

HOUSTON, Texas — On March 10 Underwood, Neuhaus & Co., Inc., City National Bank Building, will become members of the New York Stock Exchange. Milton R. Underwood, President, will hold the firm's Exchange membership. Other officers are Philip R. Neuhaus, Joseph R. Neuhaus, D. T. Richardson and H. L. Simpson, Vice-Presidents, and Jamie Dupree, Assistant Secretary and Assistant Treasurer.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market is working its time out, in the credit limiting program of the monetary authorities, which means that the defensive attitude that has been prevalent among buyers of these securities still carries on. There is, however, no shortage of purchasers of the near-term Treasury obligations and the uptrend in yield of these securities is not entirely unwelcome.

Although there is usually no connection between what takes place in England and in this country, the British authorities last week very sharply raised the bank rate and put restrictions on instalment buying. These measures were taken mainly to protect the pound sterling, but there was at least a weather eye toward the inflationary side. So far the measures taken here by the monetary authorities have not been too effective in curbing excesses. We may be in for some action not too dissimilar to what has taken place in England.

Long Treasuries Remain Under Pressure

The slow but steady decline in prices of government securities continues, even though this erosion in quotations has been interspersed from time to time with mild rallies in prices of most of the Treasury obligations. To be sure, there are buyers around for the intermediate and longer government issues, but they are not very sizable under the existing conditions and they are interested mainly in making purchases on a scale down. It does not, however, seem as though this attitude toward the more distant Treasury obligations is going to be altered very much until there are indications that the policy of the monetary authorities has moved away from that of tight money and the cutting down, or making more difficult, the obtaining of bank credit.

When the money markets are under the pressure of operations by the powers that be, as they are now, it is not an easy task to get buyers interested in government securities, aside from the shortest maturities, and by this is meant mainly Treasury bills. Periods of indecision such as we are in now in the money markets results in shortening of maturities by those who have funds to invest. This is a logical sequence, because when the interest rate is being raised through action by the monetary authorities, short rates also tend to move up. Accordingly, the buyer of the most liquid Treasury issues likewise gains some minor advantage in income from the higher near-term rate.

The Big Question

The big question now, as far as the money market is concerned, seems to be whether or not the money tightening and credit limiting operations of Federal has run its course. To be sure, there is no definite answer to such a question, because the monetary authorities themselves may not have the future policy figured out well enough yet, since so much depends upon what will happen in the stock market, the mortgage business and in instalment buying.

So far, however, it seems as though the measures taken by Federal in an attempt to remove some of the excesses from the economic system without causing the whole system to be adversely effected have had little or no influence upon the factors involved. The stock market, the mortgage business and trend of instalment credit have not been very much influenced by the action taken so far by the powers that be. To be sure, there is generally a time lag before these measures take hold. However, it appears as though the time factor will have to be supplemented in this instance by further moves by the Federal Reserve Board if more positive action is to be obtained.

More Credit Restrictions Due?

Because of what appears to be too mild action thus far by the monetary authorities, the feeling seems to be growing that Federal will resort to more restrictive measures in the not too distant future in an effort to call a halt to some of the excesses which have developed. It would not be surprising as far as many money market specialists are concerned to have Federal again raise margin requirements for trading in stocks, and, when the credit limiting policies are getting more effective, to have the discount rate increased.

It is believed by not a few in the financial district that unless there is a sudden curbing of the excesses which have come about in our system, and this is not looked upon as being too likely, the monetary authorities will act rather promptly to prevent them from worsening.

Ready-Made Buildings Stock at $2 a Share

Aetna Securities Corp. is offering 150,000 shares of common stock of Ready-Made Buildings, Inc. at $2 per share.

Proceeds from the sale of these shares will be used for inventory expansion, particularly by purchases of plywood and other similar materials where savings can be accomplished, for purchase of additional equipment such as saws and large trucks, for the purchase of building sites, and for additional working capital.

Upon completion of this financing the outstanding capitalization of the corporation will consist of 375,000 shares of 10c par value common stock.

Ready-Made Buildings, Inc., is engaged in the business of manufacturing, erecting and selling pre-fabricated homes. The corporation's basic unit is a six-room, three-bedroom home containing an aggregate of 1,200 square feet (including attached garage) selling complete (exclusive of land) for approximately $8,950. The corporation also produces and distributes garages, and is preparing to engage in the business of producing farm and small commercial structures, summer cottages, tourist cabins, and other similar buildings. The buildings are prefabricated in the corporation's factory and delivered to the site by truck.

Newburger, Loeb Adds

Newburger, Loeb & Co., members of the New York Stock Exchange and other Exchanges, announce that the following Registered Representatives are now at the firm's main office at 15 Broad Street, New York City: Paul A. Desnouee, Siegfried Guenzburger, Josef Schenker, J. Harold Thompson (Institutional Department), and Richard Wallach.

Reliance Elec. & Eng. Common Stock Offered

Blyth & Co., Inc. on March 1 offered for public sale 50,000 shares of common stock of The Reliance Electric & Engineering Co. at $41.50 per share. The company is acquiring the operating assets and business of Reeves Pulley Co. and a sales subsidiary for 80,000 shares of its common stock and cash. The 50,000 shares being offered are a part of the stock involved in the purchase arrangement.

Reliance Electric's business is the design, manufacture and sale of electric motors, related and auxiliary equipment and electric drive and control systems. Reeves designs, manufactures and sells variable speed drives. Reliance reported net sales of $34,328,212 and net income of $1,799,333, equal to $3.82 per share on the common stock, for the year ended Oct. 31, 1954. Reeves Pulley Company and subsidiary had net sales of $7,554,161 and net income of $647,450 for the year ended Dec. 31, 1954.

Reliance owns and operates plants at Cleveland, Euclid and Ashtabula, Ohio and a wholly owned subsidiary owns and operates a plant at Welland, Ontario, Canada. Reeves has a plant at Columbus, Indiana.

Rauscher, Pierce To Be NYSE Members

DALLAS, Texas—Rauscher, Pierce & Co., Inc., Mercantile Building, on March 10 will acquire membership in the New York Stock Exchange. Officers of the firm are John H. Rauscher, who will hold the firm's exchange membership, President; Charles C. Pierce, Vice-President; and Thomas E. Maloney, Secretary-Treasurer.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has reported the following firm changes:

Transfer of the Exchange membership of the late Carl M. Loeb to Henry A. Loeb will be considered by the Exchange, March 3.

Transfer of the Exchange membership of Edward A. Viner to Ely Margolis will be considered March 3.

Gershon Feigon retired from partnership in Long & Meaney Feb. 28.

U. S. TREASURY

STATE, MUNICIPAL

and

PUBLIC REVENUE

SECURITIES

AUBREY G. LANSTON & CO.
INCORPORATED

15 BROAD ST., NEW YORK 5
WHitehall 3-1200

231 So. La Salle St. CHICAGO 4 ST 2-9490

45 Milk St. BOSTON 9 HA 6-6463

Continued from first page

As We See It

neglect an opportunity for service the like of which has not been enjoyed by any committee of Congress for a long while past.

First of all, let these gentlemen inquire earnestly and dispassionately into the possible effect of our Federal system of taxes upon a situation such as they are studying. It has all along been evident, of course, that demand for common shares has regularly exceeded supply since September, 1953. There has been a great rise in demand, but abnormally little increase in the supply. To the origin of enlarged demand we shall turn in later paragraphs. But, first, why has supply been inadequate to this increase in demand? Why have not higher and rising prices brought out greater supplies of common stocks? There are two aspects of this subject, each of which needs to be considered on its own.

It is a fact of course that despite the enlarged volume of trading on the New York Stock Exchange, only a small fraction of the common stock actually existing in this country has ever at any time found its way to the trading floor. Prices which most authorities think definitely out of line in some cases have by and large failed to bring these other shares into the market. Some of these shares held by the general public are doubtless in the hands of individuals or enterprises which have particularistic reasons for not disposing of them more or less regardless of price—desire for control, for example. At the same time, who can doubt that many other owners of such shares are quite free of such restraints as these?

Why?

Why have they not taken advantage of the prices that have been available for a number of months? It can hardly be because they would not be able to buy other investments to give them a better yield and better prospects of ultimate appreciation. This stock market boom, if that is what it is, has been selective first and last. Many stocks, all of them well known to investment specialists, some of them quite favorably known, have taken little part in the bull markets of the past year or two. Some of them, in point of fact, have taken no part at all. The trouble is, or one serious trouble is, that, thanks to the capital gains tax, it is inordinately expensive to shift from one stock to another when substantial profit has accrued. The result, or one of them, is that certain stocks have moved into exceptionally high ground, and attracted the attention of Senator Fulbright, and others in Washington who may not be more than vaguely aware of the very large number of issues which have not risen at all or at most have risen very moderately.

Such seems to be the inevitable price of the capital gains tax as it now stands. Senator Fulbright and his associates would be seriously derelict if they fail to take this fact into careful consideration, and at least raise the question whether the tax is worth what it now costs in this type of disruption of the normal working of our economic system.

Again, why is it that the high prices that are being paid for some issues of common stocks have not persuaded corporations to raise funds they need (and many of them have been in need of funds) by the sale of more common stock, and thus increase the supply to the market? There has on the whole been a dearth of such new common stock issues, all things considered. There are doubtless several reasons, which apply with varying force to different corporations, but who can doubt that the corporate income tax with its penalty on dividend payments, and indeed upon earnings on common stock, as compared with interest on obligations, is a major cause of this state of affairs?

The Fulbright Committee must ask themselves whether this type of tax on corporations is worth the price thus exacted, and should ask their colleagues, both in the Senate and in the House, to study the same question—and, of course, also the matter of finding or developing an alternative means of raising essential revenues.

Other Points

There are other vital points where study of the stock market leads immediately or ultimately to Washington itself. Let Senator Fulbright and his associates ask themselves what they as managers of large pension and other trust funds would do or would have done if faced by these facts:

(1) When the stock market boom got under way in September, 1953, the best grade corporate bonds (Moody's AAA) were yielding slightly more than 3¼%. That rate has fairly steadily declined since that date, although some rise in the past two or three months finally brought it back to 2.93% in January of this year.

(2) In September, 1953, Moody's list of 200 common stocks were yielding 5.73%. By January, 1955, their yield had moved down considerably, but these issues still yielded nearly 4¼%.

To provide background for their deliberations, the Fulbright Committee might turn to some earlier records. In the year 1929, Moody's AAA bonds averaged a 4.73% yield. That figure moved up to a little over 5% in 1932. Then the New Deal took over, and began to flood the market with funds by monetizing a national debt that grew by leaps and bounds. By the time we got into the war, the yield on these bonds had got down to 2.80%.

By contrast, common stocks, which at the prices prevailing in 1929 were yielding only 3.47%, were by the time we entered World War II yielding 8.13%.

Stimulated by a popular belief that the Eisenhower Administration is less unfriendly to business, stock prices are reflecting a basically inflationary situation going back to 1932. This is a fact for Senator Fulbright and the others to ponder.

REDEMPTION NOTICE

To the Holders and Registered Owners of

Louisville and Nashville Railroad Company

First and Refunding Mortgage 3¾% Bonds, Series H, Due April 1, 2003

Issued under First and Refunding Mortgage, dated August 1, 1921, and supplemental Indenture, dated as of April 1, 1948.

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the above-mentioned supplemental Indenture, United States Trust Company of New York, as Trustee, has drawn by lot for redemption on April 1, 1955, at the redemption price, viz.: 101¾% of the principal amount thereof,

$208,000 principal amount of said First and Refunding Mortgage 3¾% Bonds, Series H, due April 1, 2003,

bearing the following distinctive numbers, to wit:

COUPON BONDS OF $1,000. BEARING THE DISTINGUISHING LETTER M

19	2235	4615	6999	9121	11471	13611	15835	18611	20806	23203
221	2319	4771	7012	9348	11603	13828	15916	18810	20839	23436
444	2430	4805	7085	9370	11710	13910	16077	19001	20986	23537
522	2462	5196	7312	9540	11965	14032	16102	19139	21034	23572
626	2670	5378	7577	9569	12132	14168	17484	19326	21113	23783
650	3179	5471	7744	9832	12220	14283	17530	19404	21394	23923
1062	3330	5630	7880	10167	12309	14497	17579	19483	21666	24080
1189	3585	5868	7970	10225	12495	14591	17673	19631	21695	24180
1275	3722	5946	8001	10569	12523	14636	17891	19717	21868	24209
1357	3785	6005	8097	10730	12722	14931	18006	19800	22040	24336
1440	3818	6049	8222	10808	12737	15010	18068	19819	22157	
1520	4219	6379	8491	10940	13031	15118	18286	20027	22359	
1540	4382	6514	8625	11060	13045	15332	18365	20176	22474	
2107	4447	6766	8903	11119	13175	15489	18446	20194	22570	
2138	4503	6787	9106	11239	13519	15610	18524	20339	22990	

BONDS IN FULLY REGISTERED FORM WITHOUT COUPONS

Numbers	Denomination	Amount Called	Numbers	Denomination	Amount Called
R 1	$820,000	$ 8,000	R 59	$ 10,000	$ 1,000
R 6	100,000	1,000	R 79	500,000	15,000
R 7	100,000	10,000	R109	1,000	1,000
R44	10,000	1,000	R111	412,000	10,000
R50	1,000	1,000			

All Coupon Bonds bearing the serial numbers above specified will be redeemed and paid on and after April 1, 1955, at the redemption price of 101¾% of the principal amount thereof, at the office of Louisville and Nashville Railroad Company, Room 900, 71 Broadway, Borough of Manhattan, City and State of New York, upon presentation and surrender of such Coupon Bonds with October 1, 1955 and all subsequent coupons attached. Coupons due April 1, 1955, should be detached and collected in the usual manner.

The principal amount drawn for redemption of the Registered Bonds without coupons bearing the serial numbers above specified will be redeemed and paid on and after April 1, 1955, at the redemption price of 101¾% of the principal amount thereof, at the aforesaid office of Louisville and Nashville Railroad Company, upon presentation and surrender of such Bonds. The registered holder of a Registered Bond surrendered for redemption in part will in due course receive new Registered Bonds without coupons for the unredeemed portion.

Registered Bonds must be accompanied by instruments of assignment and transfer duly executed in blank, with signatures guaranteed.

From and after such redemption date, no interest shall accrue upon or in respect of any such Bonds called for redemption as aforesaid.

LOUISVILLE AND NASHVILLE RAILROAD COMPANY

By: W. J. McDONALD, Vice-President.

Dated: February 10, 1955.

Continued from first page

A Defense of the Housing Act of 1954 and the FHA

but that he prefers I discuss it, since it is so clearly related to mortgage finance.

There is a growing opposition to the FHA in some quarters—and particularly the opposition to the mortgage terms provided for FHA-insured mortgages in the Housing Act of 1954.

I am becoming quite concerned with recent articles in newspapers and magazines to the effect that present financing for homes is too liberal, and that the nation's home mortgage debt is too high. Some of these conclusions seem to be based on a superficial examination of insufficient statistics, and they ignore many basic economic facts.

The Importance of Liberal Mortgage Credit

Liberal mortgage credit, soundly applied on the basis of a borrower's ability to meet his obligations, is one of the strongest props we have for a prosperous national economy.

It is very true that mortgage lending today is on a far more liberal basis than at any time in the past, but these loans are sound. The long-term self-amortising mortgage with low down payment has proved the greatest single factor in putting good homes within the reach of families in every income bracket.

Is this bad?

Less than a month ago, I heard an economist say that we are building too many homes for sale; that because there is no particular encouragement from government or elsewhere to build rental housing, families are being *forced* to buy homes. Even this man's phraseology seems to me to be off-key. *Induced* might have been a better word than *forced*.

Be that as it may; again I ask. Is that bad? I was brought up to consider it a fine thing for a family to own its home.

I wonder if that economist, and others who share similar views, realize that the American family has an inherent desire to own a home of its own. I wonder why these people fail to realize that the purchase of a home with an amortized mortgage is a form of systematized saving. I wonder why they fail to recognize the fact that home ownership is a basic part of our economy.

Some of the economists who say we have too liberal mortgage lending terms use the argument that the present rate of family formations is not large enough to support a building volume of a million-plus homes a year.

Naturally, formations of new families *do* have an ultimate effect on the demand for homes. However, I think it is an entirely erroneous premise to use the rate of family formations as the *only* yardstick.

In trying to learn at what stage family formation becomes a factor in the home-buying market, I have raised the question: Does the couple which gets married this year immediately go out and buy a home, or does that couple buy a home next year, five years from now, ten years from now — or when?

I believe I have the answer.

It is the family with children which is the biggest factor in the market for homes—not new marriages in themselves.

I found this answer in an examination of the last 500 mortgage applications filed at my bank. These included homes selling from $10,000 to $42,000. This survey showed that 84.2% of those 500 families had one or more children. Of the 15.8% who have no children, a vast majority are older couples. Very few were newly-married, and these were in the higher income brackets.

Another very revealing survey was made by a large-scale home building firm on Long Island last year, following completion of a 480-home operation. This showed the average age of the head of the family buying these homes to be 32.3 years. I consider this particularly revealing because it should refute the claim made by some alarmists that "mere kids are being enticed to buy homes because of easy credit terms."

The Census Bureau estimates that 600,000 new households were formed last year. In 1953, the number was 800,000. In 1952, the estimate was 1,000,000.

Nevertheless, in each of those three years, the homebuilders of America built and sold more than 1,000,000 homes.

If we accept the theory of those who assert that the declining rate of family formations should immediately lower the rate of dwelling unit production, and thereby disregard all other demands for homes, the nation should have built only 600,000 homes last year. Instead, a total of 1,215,500 dwelling units was produced, and, in most areas, all were immediately occupied.

No Over-Production of Housing

That brings up a *very* important consideration that seems to be overlooked by the people who contend that we are confronted with an over-production of housing.

In the area in which members of the Group Five Savings Banks Association operate, very, very

few homes are built on speculation.

No builder wants to be, or can afford to be, left with an inventory of unsold homes. Therefore, the general practice of development builders in this area is to erect one or two exhibit houses and then sell 25 or 30 homes from these models and plot maps. *Only after purchase contracts are signed* for these 25 or 30 houses, does the builder commence construction.

Perhaps speculative building has been a practice in some parts of the country, but it is very rarely found on Long Island. The large-scale operative builders have largely replaced the speculative builders.

While I am upon this subject of whether or not we are likely to over-build, I would like to emphasize my belief that *the market itself* regulates the building volume. There is a certain and sure test. If people do not want homes, or cannot afford them, *they will not buy*, and builders will not build.

Also, the supply and demand for materials can serve as a brake on production. For example, suppose we look at just one key material—cement. If all the road building and other construction which is now scheduled gets under way, where is the cement to come from? Do we have enough productive capacity?

We Have No Housing Boom

The word "boom" has recently been used very carelessly in connection with present housing activity—activity which has been moving at a rate of one million-plus dwelling units for each of the past six years.

I do not think we have a *boom*, in the popular idea of the term. Instead, it is a natural expansion of our housing to meet the needs of a fantastically-increasing population, with incomes to afford modern homes.

Can you call it a boom when we examine these figures?

The 1955 total construction expenditure is estimated at $39.5 billion. At today's valuation of the dollar, the 1923-29 annual volume of construction was $24.2 billion. Does the difference between $39.5 and $24.2 billion, or $15.3 billion, constitute a boom? I think not; particularly when we realize that population has increased since the 1920s from 118 million to 162 million.

I also disagree with the theory of alarmists that the nation's present home mortgage debt of about $75 billion is too high.

This is 25.1% of estimated national income for 1954. In 1940, the $17.3 billion mortgage debt was 22.7% of national income. But of equal, or perhaps greater importance, is that today there is a much broader base for carrying the home mortgage debt than was the case 15 years ago. The debt is distributed among a far greater number of families. In the period from 1940 to 1950, the number of families responsible for payment of the mortgage debt had more than doubled. Furthermore, the mortgage debt in 1950 was only 96% of the income of the families living in their own homes, whereas in 1940, the debt was 166%. While we have no data beyond 1950, it seems reasonable to assume that this trend has continued.

I would welcome real *proof*—not theory—that this is inflationary, as some assert, or a serious danger to our economy.

It is very true that builders today have no difficulty in arranging mortgage terms that buyers can afford, and which makes selling easy. This is due to a considerable extent to the splendid operations of the Federal Housing Administration and the Veterans Administration home loan guaranty program.

A Magnificent Job Done by VA

The VA has done a magnificent job in helping war veterans acquire good housing. The FHA has done an equally fine job for the non-veteran. But it has long been recognized that the non-veteran was the forgotten man when it came to liberal terms for the purchase of a home. That is why the more liberal terms were written into the Housing Act of 1954. Now, less than seven months since that law became effective there seems to be a concerted effort to eliminate these easier terms.

But of even more seriousness—and this is very definitely a builders' problem—is the well-defined movement in some quarters to abolish the FHA entirely. Suggestions to curtail the activity and functions of the FHA should be taken with a grain of salt. The source of these suggestions should be examined very carefully. Could some of these suggestions be made with a view to limiting competition? Have some of the opponents of the FHA an ax to grind, namely to *exclude from the making* of high ratio loans, all but the type of institution they represent?

On the occasion of the 20th anniversary of the FHA last June, I said publicly that the FHA has been the greatest single boom ever conceived to benefit the home-buying public. I want to reiterate that statement here today with all the force at my command.

Any effort to eliminate the FHA should be opposed vigorously by everyone connected with the real estate and building industry. I hardly think it necessary to list the reasons.

Those opposing the FHA and the VA have advanced the argument that today's low down payments and long mortgage terms do not provide enough equity, and that the credit terms encourage families to buy homes they cannot afford.

What kind of reasoning is that? The buyer is *not* approved for the loan if he cannot afford the carrying charges. Approval of credit and suitability of home to buyer is fundamental to this type of lending.

Any equity at all is better than a handful of rent receipts, and it has been the experience of my own bank where we have some $91 million, or about 19% of our total mortgage portfolio, invested in FHA-insured mortgages, that these home-buying families do establish equities. You would be surprised at the number and amounts of prepayments.

All that these families want is the opportunity to *start* toward their goal of home ownership. The FHA and the VA afford them that opportunity.

The more liberal mortgage terms now available create a much broader market for the builders' product. Limiting mortgage lending to conventional financing would deliver a body blow to the local state and national economy by restricting the volume of home construction.

One must remember that practically no rental housing has been made available in the price range that the average family in moderate circumstances can afford. Most of the rental housing has been either the government-subsidized type for low income groups, or the luxury type for high income families.

However—and this must *not* be lost sight of—the one-family home builders, assisted by liberal financing terms, have been able to step into the breach and supply homes for families under terms that these families can afford.

Furthermore, home-owning families are the backbone of any community.

FHA and VA Regulations Are Satisfactory

I believe the present FHA and VA regulations are satisfactory and economically sound. True, there have been delays in FHA processing. But, the increased authorization of money for additional personnel probably will soon solve that problem. Already, the mortgage department in my own bank reports a glimmer of light in this respect.

A related subject in this discussion is the matter of sales. There, again, is a basic economic brake on builders over-extending themselves. We made a study of sales and building operations at the end of January on builders' jobs we are financing. This covered some 11,000 homes. We found that sales were *good* in 82% of the jobs, fair in 14%, and poor in only 4%. This indicates, in itself, that demand is still strong from the home-buying public and that apparently builders are really merchandising their product. I might add that in almost every case where sales were regarded as poor, it was near the conclusion of a development, or was a very small operation to start with.

A highly important builders' problem is the matter of costs. It is imperative that costs should not rise to the point where buyers cannot afford the homes that are being built.

But I doubt if the mortgage lenders will permit that to happen. We have the tools with which to put on the brakes whenever necessary.

In conclusion, I want to reiterate my belief that the mortgage lending industry, the building industry, and the real estate industry are all part of a team. It is through such builders' organizations as the Long Island Home Builders Institute, the Staten Island Home Builders Association, and the National Association of Home Builders with which they are affiliated, that solutions can be found for our mutual problems. The same is true of the organized real estate industry through the local and national real estate boards.

James O'Reilly Opens

JACKSONVILLE, Fla. — James H. O'Reilly is conducting a securities business from offices in the Barnett Bank Building.

Dillon, Read Group Offer Union Oil Debs.

Dillon, Read & Co. Inc. headed an investment banking group which offered for public sale yesterday (March 2) a new issue of $60,000,000 Union Oil Co. of California 3% convertible debentures due 1975 (subordinate). The debentures were priced at 100% plus accrued interest.

The new debentures are convertible into common shares at $65 per share to March 1, 1958; $67 to March 1, 1961; $69 to March 1, 1964; $71 to March 1, 1967; $73 to March 1, 1970 and $75 thereafter.

Of the proceeds from the sale, the company will apply $23,831,250 to the redemption of all of the outstanding $3.75 cumulative preferred shares, $10,000,000 to the prepayment of promissory notes and $5,172,500 to the prepayment of purchase money obligations. The remainder will be used for general corporate purposes, including expenditures for exploration, for development of oil and gas properties and for other property additions.

A sinking fund beginning 1966 provides for the retirement of approximately 52% of the issue before maturity at par. Optional redemption prices scale from 103% to the principal amount.

Union Oil Co. of California is engaged in substantially all branches of the oil industry. Holdings from which the company is currently producing oil and gas are located in California, Louisiana, Texas, Montana, Wyoming, New Mexico, Oklahoma and Canada. The company owns and operates six refineries and a seventh is expected to be completed this month. On the Pacific Coast, its principal operating area, the company markets approximately 14% of petroleum and petroleum products sold in the area for local consumption and for export.

With State Bond & Mtg.

(Special to THE FINANCIAL CHRONICLE)

NEW ULM, Minn.—Edward Q. Brengle, Jr., Lloyd E. Mertz and Melvin F. Waterman are now connected with State Bond & Mortgage Co., 28 North Minnesota Street.

The Pure Oil Company is calling its 5% Cumulative Preferred Shares

The Pure Oil Company will redeem on April 1, 1955, all of the outstanding 5% Cumulative Preferred Shares of the Company, at $105.00 per share.

Dividends accrued to April 1, 1955, amounting to $1.25 per share, will be paid by The Pure Oil Company on April 1, 1955, to shareholders of record on March 10, 1955. After April 1, 1955, dividends on the 5% preferred shares will cease to accrue.

Copies of the redemption notice were mailed March 1, 1955, to each holder of 5% Preferred Shares on that date. The redemption agents are: The Chase National Bank, 11 Broad Street, New York 15, N.Y.; and the City National Bank & Trust Company of Chicago, 208 South LaSalle Street, Chicago 90, Ill.

THE PURE OIL COMPANY
35 EAST WACKER DRIVE
CHICAGO 1, ILLINOIS

March 3, 1955

REDEMPTION NOTICE

CONTINENTAL BAKING COMPANY

$5.50 Dividend Cumulative Preferred Stock

Continental Baking Company has called for redemption 125,575 shares of the Company's $5.50 Dividend Cumulative Preferred Stock without par value out of 253,575 outstanding shares of such stock. The certificates for the particular shares of such stock totaling 125,575 shares have been selected by lot by the Company's Transfer Agent, The Corporation Trust Company, for redemption and will be redeemed on April 1, 1955, at the office of the Company's Transfer Agent, The Corporation Trust Company, 120 Broadway, New York 5, New York, at $105.00 per share plus accrued dividends to April 1, 1955, amounting to $1.37½ per share. A list showing the particular certificates selected for redemption has been mailed to each owner of record of such certificates at the close of business March 1, 1955.

The shares of stock called for redemption will continue to be transferable upon the books of the Company to and including March 31, 1955. Dividends will not accrue on or after April 1, 1955, upon the shares of stock called for redemption.

CONTINENTAL BAKING COMPANY

By WILLIAM FISHER, *Secretary*

March 2, 1955

Continued from page 20

A New Look at Management-Shareholder Relations

pendent proposal is submitted are the unmarked proxies of those who have failed to read the proxy statement, as well as institutional proxy ballots which always vote blindly with management instead of weighing each proposal on its own merits as we do.

Directors Should Be Stockholders

We asked the management to take the needed steps to see that every director of the corporation owned at least 100 shares of stock in the corporation. I know of nothing which infuriates the independent shareholders of the United States as much as this failure of a director to be willing to put some of his own cash in a company. A director may be quite valuable, but he will be just as valuable if he will buy a few shares of stock to indicate community of interest.

The last proxy statement of Burlington Mills showed two directors—one of whom was the merchant prince Bernard F. Gimbel as not owning a share of Burlington Mills. Under the obvious prodding of the independent resolution the management, while still opposing our proposal, moved quite obviously to insure this year that every director did own the stock in question.

Here we have another example of inept management-stockholder relations. Since they were rectifying what I had criticized a simple letter informing me they were seeing to it that every director did own stock, would have meant that I would have told them the resolution was superfluous this year at least, since the principle involved had been recognized.

This is the way Louis E. Wolfson, the young contender for aged Sewall Avery's crown met the situation at Merritt-Chapman and Scott a few years back when one of his directors was shown as not having any stock in the construction company he has built up so well in recent years. He not only met my floor objection as a shareholder and has taken the needed steps to see that all directors of the corporation now own stock, but from it arose what has now become known as the Wolfson doctrine. This is a firm policy that every officer who has been two years with Merritt-Chapman and Scott must own stock equal to a year's salary as a permanent holding as long as he is with the company. The idea was wholly his, I, in no way suggested it or asked him to do it —all he did was trump my ace.

And better yet he has insisted that there shall be no options, every officer will get his stock at the current market price. If he gets eventual control of Montgomery Ward he has pledged a similar policy will be followed there, and there will be community of interest between management and the owners.

In fact it was this policy of management - stockholder relations, which he has also followed through on elsewhere as will be noted later in this talk, which first made me decide to take a new look at Louis Wolfson and what he offered the American shareholders on the side of management. Prior to that I had only known of his blunders at Capital Transit in the field of Public Relations and other early mistakes which had been well aired in the press.

Mr. Robert R. Young, the new Chairman of the Board of New York Central, is another who is trending away from an earlier mistake of his at Chesapeake and Ohio in the field of management-stockholder relations. This was the granting of options which are definitely in my opinion the poorest kind of stockholder relations. At first he toyed with the idea of stock options when he took command of the New York Central to the benefit of shareholders and employee morale alike last year in another of the great upheavals which show that owners are learning to vote proxies independently. But, very wisely, he consulted small shareholder opinion as well as large stockholder viewpoints. Wilma Soss, President of the Federation of Women Shareholders, the most powerful woman shareholder group in corporation history was asked her viewpoint and we were asked ours too as small owners of New York Central.

As a result of these conferences, which enabled the management to have a better perspective on shareholder opinion, what finally resulted was a Presidential stock purchase contract, with definite pledges of contractual obligation in place of the option which is merely exercised if stock goes up and not at all when shares go down. And President Perlman pledged that no stock so acquired would be sold for at least three years after exercise. Similar protective clauses were entered into whereby a definite dollar ceiling is agreed to as well as a dividend clause before any bonus payments are made under the new incentive compensation plan.

Thus we can see that the new revolutionary managements have a firmer grip on good management-shareholder relations than those which have preceded them.

The Third Burlington Proposal

The third independent proposal voted upon last week at Burlington Mills, which received the ballot of many of those who think as I do in the field of stockholder relations, asked for the election of the auditors each year. This wise policy is now followed by over 400 listed corporations, partly due to the state laws in states with the best shareholder legislation and partly due to the pressure of independent shareholder opinion in recent years.

Here again in the case of the third Burlington proposal which while defeated — we expect our proposals to be defeated at the present time — they are introduced for the purpose of recording an effective record protect vote to the extent permitted by the SEC proxy rules, nevertheless brought about yet another management concession. For the first time as noted in the management rejoinder rebutting our arguments in the proxy statement, the annual report is addressed to both the shareholders and the Board as it should be, so even here the effect of the introduction of this proposal was constructive.

Our final proposal is one of the most fundamental in making for good corporation citizenship and informed voters. It was the focal point in many ways of the great Transamerica decision mentioned in Professor Loss' text book. For owners can have full disclosure as to what takes place at their meetings only if the management prepares an impartial factual account of what took place at these sessions. . . .

Here I will just signal to you a few such post-meeting reports —and I have brought them up for your study—A. G. Spalding, Atlas, Fairchild Camera and Instrument, Beatrice Foods, Bristol-Myers, Royal McBee, Lamson Corporation, St. Joseph Lead, Merritt-Chapman and Scott, New York Shipbuilding, and Continental Can.

Every one of these reports show that the managements involved understand and practice good management-stockholder, relations with increasing skill. When the owners find out that management has nothing to hide from the owners and frankly answers criticism, accepts suggestions from friendly or irate shareholder alike, confidence grows and friendships ripen between two component parts of the American corporate body.

But now let us take a look at the kind of argument Burlington Mills uses in its proxy statement as to why it cannot send out post-meeting reports. I will let you judge for yourself if this constitutes good or bad management stockholder relations.

The first managerial objection. We get annual reports. So what —the annual report is sent out ahead of the annual meeting. The post-meeting report on the contrary describes to all the owners who could not attend what took place and what questions about that annual report were raised, what improvements were suggested for future annual reports and similar comment.

The next observation of the management is in regard to the quarterly letter which the management says gives data about the annual meeting. When this is done factually, fully, and impartially there is not the slightest objective to the post-meeting report being combined with the quarterly report. Several of those on the honor list just mentioned use this procedure — but a brief statement that the directors were elected and the proposals mentioned were defeated is hardly a post-meeting report, as some managements still like to think.

The last management statement in opposition to this proposal is that the management will be glad to answer stockholder questions as to the results of such meetings.

Well first of all why should the owner have to write to his employee for a report of what took place—that is just what the management reply means? The answer to each owner may differ, one may get different answers than another—all owners should have an equal right to equal information.

Investigation has shown that shareholders in many cases now pay more attention to the post-meeting report than even to the annual report, because it is couched in the language of the man of the street and is not "canned" but argumentative in contrast to even the best annual report.

Continuing, the management states that sending out a post-meeting report is unnecessarily burdensome. Just what is management paid for anyhow? The sending out of a post-meeting report after annual and special meetings is just as much of the part of the duties of the management as the operation of the company business.

Stockholders hardly think management is in the position of determining whether or not it serves a useful purpose—that is something only every individual owner can determine for himself. Sewall Avery at Montgomery Ward has for years failed to send out a proper post-meeting report, although to his credit he at least sends the minutes when you write for them, which some managements won't even do. Do you think for a minute that this individual stockholder of Montgomery Ward and the other members of his family who together own 60 shares of stock, half of which has been in our family since 1929, are going to vote for Avery who makes it hard to know what takes place at the annual meeting or Louis Wolfson who makes it easy? Just guess for yourself—you don't have to be a prophet to predict which way the Gilbert ballots are going.

All the campaign inevitable mudslinging will not change our minds—we judge our candidates on the basis of where they stand in the field of modern management - stockholder relations, not on past errors and blunders of a bygone day.

Some Other Issues

So much for the Burlington case history as recorded in the proxy statement — now what of some of the issues the management does not want you to know which were raised on the floor of the meeting.

I objected strenuously to the kind of stockholder relations which characterized the acquisition of Goodall-Sanford last summer. Stockholders who think as I do, do not like a plan of purchase of shares with company cash, when an exchange of stock could to a large extent have done the same job. I happen to be a Goodall stockholder to the same extent I am a Burlington owner. I would have been glad to exchange my shares on any fair basis—and still am—for Burlington when the management makes a stock offer.

To be sure, some of the large holders of Goodall may have demanded cash—to the extent the management is entitled to use cash, but where stock is equally welcome, this method which saves shareholder money should be used. We object to paying needless brokerage which would be the case if we had accepted the Burlington cash offer — and in cases where a cash purchase means a big capital gains tax we see no reason why we should have to pay it when an exchange of stock does not involve such a penalty to those of us who buy our shares not for speculation but as long term permanent investments.

Again that is why we have liked the methods whereby Mr. Wolfson has expanded Merritt-Chapman and Scott where he has used the share exchange whenever possible. We have liked the way Allan Ryan did the same when Royal McBee was merged this summer, or the way Carrier is being expanded by another man who is alert to the importance of good management-shareholder relations, Cloud Wampler.

True, the late Robert P. Vanderpoel, who was one of the most independent financial columnists in the United States, took issue with the equity of the share merger terms in the case of Devoe and Raynolds, which I do not own. My only difference with Mr. Vanderpoel on this score is that the blame for the basis on which the exchange was fixed goes basically to the former owners of Devoe and Raynolds who committed a cardinal sin in good management - stockholder relations, by selling control at a higher price than the public shareholders were offered, without offering to see that the other shareholders received the same offer on a pro rata basis.

This is the only right way to sell control of a company, not that the insiders do not often make mistakes when they do. . . . Still it is their duty and we are glad Mr. Vanderpoel raised the point. We think Mr. Wolfson, when he buys other corporations, should try to see that the seller does make this a condition of sale. But if the seller refuses, then we feel that the onus of responsibility is still with the seller and the buyer should not turn down an offer to acquire a corporation in the interests of his other public shareholders because of the stubborn neglect of shareholder rights by he who sells. As a matter of fact, the transfer of shares into Merritt-Chapman and Scott will at least wipe out the class distinctions which were another evil in the old Devoe and Raynolds set up. And finally the rise in market price of Devoe and Raynolds shares to a record high shows that no one has lost after all, as far as I can see, with all due respect to Mr. Vanderpoel.

Even James Fuller, that ubiquitous fellow shareholder of mine, at so many meetings agreed with me on that point when we discussed it and there are just as many times he disagrees with me as I with him, even though we see eye to eye on many aspects of management-shareholder relationships.

The Question of Cumulative Voting

Another subject under discussion on the floor of the Burlington meeting was the issue of cumulative voting. This was caused by our strong protest against the voting of the shares of Burlington in Pacific Mills against an independent proposal to put cumulative voting into effect there, as it should be in all corporations, where the law allows it. Where the law does not allow it, as in the State of Massachusetts the time has of course come for stockholder legislation to make it mandatory — maybe some of your budding young lawyers will be among those to push it through one day.

Naturally the voting of the Burlington Mills shares against it defeated the proposal, which was not mine or inspired by me, and I am not a Pacific Mills owner. However, I hope those who suddenly realized how important cumulative voting is at Pacific Mills, now realize that the time to put in cumulative voting is when they have control of a corporation, not after they have lost control of the situation. And why the law should be mandatory as in 21 states so that the rules of the game cannot be changed in mid-stream.

It is because we realize the importance of this basic fact that we have pushed everywhere for its maintenance and extension and will continue to do so increasingly over the years ahead.

For example Robert R. Young, of New York Central, took a great step forward personally when he voted for it at the last annual meeting. But now the time has come to implement the campaign promise and put it into operation. In order to be sure that not a single approach to the subject is overlooked, in the event that Mr. Young has any trouble in swinging some of his fellow directors into line we have also moved independently. We have done this by moving to intervene before the Interstate Commerce Commission in the matter of the proposed merger of the Louisville and Jeffersonville Bridge and Railroad Company. The principal purpose of the intervention which is described in Finance Docket 18656 is to insure that cumulative voting shall prevail at future elections of Alleghany and New York Central so that the public shareholder interest is served. We happen to support and like most of the policies of Robert Young, who is bringing many a fresh breath of life into Central and Alleghany, but there are many owners of both corporations who still feel differently about him. Rightly or wrongly they are entitled to the right of cumulative voting—and I may say that if the former management had listened to us and put cumulative voting into effect as Mrs. Soss asked last year at the annual meeting, they would still be owners of New York Central to a much larger extent than they now are. Because they followed the absured Wall Street axiom that if you do not like a

management or any policy you sell your stock, many of these people sold their stock at the bottom—proving I hope that corporation democracy is not merely an ideal of independent public shareholders, but has dollars and cents value to all owners.

Similarly we applaud the initiative of Mr. Wolfson at Montgomery Ward in taking steps to end the stagger system, which in itself is another example of the worst kind of management-stockholder relations. He demands the right of proportionate representation for all the owners. This is exactly the position we have taken at Merritt-Chapman and Scott which does not as yet have cumulative voting. In former years Mr. Wolfson and his associates voted against granting us cumulative voting rights. Last year, for the first time, the maturing Wolfson moved in the right direction once again and refrained from opposing it, although his associates lagged behind and the company proxy statement still opposed cumulative voting.

This year we hope that as a result of further proof that a large body of his fellow owners who like his policies but still want cumulative voting at Merritt—just as much as at Montgomery Ward, we will see him rise from the floor of the meeting and say that he is recommending its enactment at all future elections of owners of the growing Merritt-Chapman and Scott Company. If he does this, then once again he moves to the leadership in the team of management when it comes to progressive and consistent good management-stockholder relations.

And paradoxically when the owners have these rights, very often this is just what happens. Two examples of voluntary enactment of cumulative voting stand out. One is American Encaustic Tiling and the other Electric Bond and Share. Never have we seen shareholder relations better than at both corporations, where President Malcolm Schweiker and George Walker lead their respective corporations with a sense of close relationship to shareholder thinking at all times with results which mean not only harmony but increased dividends for the owners—again showing that corporation democracy in no way impedes the important yardstick of financial results for all shareholders.

I have covered some of the causes of much management-shareholder friction. There are others, such as executive compensation, abuse, excessive pensions for officers, failure to grant preemptive rights, failure to solicit proxies, unfair dividend policies and similar topics.

John L. Reid Now With Merrill Lynch Firm

(Special to THE FINANCIAL CHRONICLE)

LOUISVILLE, Ky. — John L. Reid has become associated with Merrill Lynch, Pierce, Fenner & Beane, 231 South Fifth Street. Mr. Reid was formerly with Wagner, Reid & Ebinger, Inc., in the municipal bond department.

Courts & Co. Handles Private Placement

The private placement with institutional investors of $4,700,000 3.25% first mortgage sinking fund bonds, series E, due Feb. 1, 1980, of Inter-Mountain Telephone Co., Bristol, Tenn., has been negotiated by Courts & Co., Atlanta, Ga., it was announced on March 1.

Joins L. A. Caunter Staff

CLEVELAND, Ohio—Ann Alexander has been added to the staff of L. A. Caunter & Co., Park Bldg.

Continued from page 4

The State of Trade and Industry

of steel, but 80% of the country's steel goes to industries other than automotive. Many of them are experiencing a pickup in business or have good reason to believe things will be better for them, states this trade journal.

The demand for the forms of steel used outside the automotive industry is already rising. Plates, for instance, are picking up as line pipe fabrication accelerates. Another company responding to the upturn in line pipe demand is Republic Steel Corp. It reopened its Gadsden, Ala., mill that makes large diameter pipe. Structural steel is feeling a pickup, too, "Steel" continues.

The upturn in demand for plates and structurals is important. It means a busy construction and maintenance industry—second largest user of steel. That industry has hopes of keeping busy for a long time. Needs are a long way from being satisfied. Road building continues to be a "must." If the Federal Government's $100,000,000,000 highway program becomes a reality, it will take more than $4,000,000,000 worth of structural steel, more than $2,000,000,000 worth of reinforcing steel and $1,000,000,000 worth of culvert pipe, says David C. Roscoe, assistant general manager of sales, Bethlehem Steel Co.

The American Iron and Steel Institute announced that the operating rate of steel companies having 96.1% of the steelmaking capacity of the entire industry will be at an average of 90.0% of capacity for the week beginning Feb. 28, 1955, equivalent to 2,172,000 tons of ingots and steel for castings as compared with 90.8% (revised) and 2,191,000 tons a week ago.

The industry's ingot production rate for the weeks in 1955 is based on annual capacity of 125,828,310 tons as of Jan. 1, 1955.

For the like week a month ago the rate was 85.8% and production 2,070,000 tons. A year ago the actual weekly production was placed at 1,686,000 tons or 70.7%. The operating rate is not comparable because capacity was lower than capacity in 1955. The percentage figures for 1954 are based on annual capacity of 124,330,410 tons as of Jan. 1, 1954.

Electric Output Shows Further Drop the Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Feb. 26, 1955, was estimated at 9,725,000,000 kwh., according to the Edison Electric Institute.

This week's ouput 187,000,000 kwh. less than that of the previous week, when the actual output stood at 9,912,000,000 kwh., but an increase of 1,329,000,000 kwh., or 15.8% above the comparable 1954 week and 1,655,000,000 kwh. over the like week in 1953.

Car Loadings Advance 1.7% Above Level of Previous Week

Loadings of revenue freight for the week ended Feb. 19, 1955, increased 11,176 cars, or 1.7% above the preceding week, according to the Association of American Railroads.

Loadings for the week ended Feb. 19, 1955 totaled 655,035 cars, an increase of 36,412 cars or 5.9% above the corresponding 1954 week, but a decrease of 34,395 cars or 5% below the corresponding week in 1953.

U. S. Car Capacity Slightly Under Output of Prior Week

The automobile industry for the latest week, ended Feb. 25, 1955, according to "Ward's Automotive Reports" assembled an estimated 168,080 cars, compared with 173,482 (revised) in the previous week. The past week's production total of cars and trucks amounted to 183,008 units, a decrease below the preceding week's output of 5,427 units, states "Ward's." Last week's car output was slightly under that of the previous week, "Ward's" notes. In the corresponding week last year 113,041 cars and 21,574 trucks were assembled.

Last week, the agency reported there were 14,928 trucks made in the United States. This compared with 14,953 in the previous week and 21,574 a year ago.

Canadian output last week was placed at 7,930 cars and 885 trucks. In the previous week Dominion plants built 7,432 cars and 777 trucks, and for the comparable 1954 week 9,181 cars and 2,184 trucks.

Business Failures Ease in Holiday Week

Commercial and industrial failures in the holiday-shortened week ended Feb. 24 declined to 178, the lowest level so far this year, from 205 in the preceding week, Dun & Bradstreet, Inc., reports. For the third consecutive week, casualties dipped below the 1954 level. They compared with 204 a year ago, but were even with the 1953 toll of 178. Continuing below the pre-war level, mortality was down one-third from the 267 recorded in the similar week of 1939.

Failures with liabilities of $5,000 or more accounted for the week's decline, falling to 156 from 187 in the previous week and 182 last year. A slight increase, on the other hand, occurred among small casualties, those involving liabilities under $5,000, which rose to 22 from 18 and equalled their 1954 level. The number of concerns failing with liabilities in excess of $100,000 remained at 15, the same as last week.

Wholesale Food Price Index Registers New Four-Month Low

The Dun & Bradstreet wholesale food price index dropped another four cents last week to stand at $6.65 on Feb. 22. This represented a new four-month low and the fourth successive weekly decline, bringing the current level 7.6% below the comparable 1954 figure of $7.20.

Commodities quoted higher the past week were flour, barley, hams, lard, coffee and lambs. Lower were wheat, corn, rye, oats, bellies, butter, sugar, cocoa, eggs, currants, steers and hogs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Continues Lower Trend

The general commodity price level held in a narrow range most of the week and turned downward at the close. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., finished at 277.05 on Feb. 21, comparing with 277.43 a week earlier, and with 275.76 on the corresponding date a year ago.

Prices fluctuated erratically in the leading grains markets. Rye was under pressure at times and was subjected to extensive liquidation which carried all deliveries except March to new seasonal lows. Demand for wheat was less active.

Support was lacking as the lessening of war fears brought considerable dumping of stocks bought as the result of the crisis in the Far East

Corn displayed some strength during the early part of the week when cash market receipts were fairly small but turned weak toward the end of the period as receipts picked up. Primary market receipts of corn last week were reported at 4,200,000 bushels, against 5,300,000 the previous week and 7,000,000 a year ago. Trading in grain futures on the Chicago Board of Trade increased moderately last week. Daily average sales totalled 42,400,000 bushels, against 36,600,000 the week before, and 50,500,000 in the same week last year.

Cocoa prices continued to trend downward under liquidation induced by lagging manufacturer demand, pressure of heavy arrivals during the week and substantial amounts of cocoa reported afloat to the United States. Warehouse stocks of cocoa increased to 121,375 bags, from 94,148 a week ago, compare with 83,352 bags a year ago.

The domestic sugar market was quiet with refiners showing little interest in raws despite a mild reduction in prices

Hog values, however, continued to weaken with the average cost of barrows and gilts dropping to a new low for almost five years.

Spot cotton prices were irregular and closed unchanged from a week ago. The market displayed an easy tone most of the week, reflecting lagging mill price-fixing, selling by foreign interests and Secretary Benson's reiterated opposition to any change in the present flexible price support program. Reported sales of the staple in the fourteen markets were smaller and totaled 167,400 bales for the week, against 176,500 the previous week and 194,300 two weeks earlier. Consumption of cotton in the four-week January period, according to the Bureau of the Census, totaled 711,286 bales, or somewhat more than the trade had expected.

Trade Volume Dips Moderately in Holiday Week

Many retail stores throughout the country were closed on Washington's Birthday, bringing retail sales in the period ended on Wednesday of last week moderately below the level of the previous week.

Special promotions in some Eastern cities on Tuesday did not lift the week's total trade significantly. The volume of sales was slightly higher than in the same period of 1954.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be unchanged to 4% above a year ago. Regional estimates varied from the corresponding 1954 levels by the following percentages: New England —1 to —5; Midwest —2 to +2; East and Northwest +2 to +6; Pacific Coast +1 to +5; South and Southwest +2 to +6.

Sales of used cars increased noticeably last week and new automobiles continued to sell well.

Dealers had more than 500,000 new models on hand—a much larger number than usual at this time of year.

This was in preparation for continued heavy sales expected in the Spring.

Housewives increased their purchases of fish, eggs and other Lenten items the past week, and many were attracted by low meat prices.

Fourteen of the most popular cuts of meat were cheaper than at any time in the last year.

Home furnishings promotions brought sales of upholstered furniture and case goods moderately higher than during the same week of 1954 but not above last week's total. Purchases of bedding and television sets lagged.

Although wholesale buying in the week was slightly below the level of the preceding week, interest in many items improved and prospects were good for increased trade in coming weeks. The volume of wholesale orders was considerably higher than last year at this time.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Feb. 19, 1955, showd an increase of 5% from the like period last year. In the preceding week, Feb. 12, 1955, a rise of 1% (revised) was registered from that of the similar period of 1954, while for the four weeks ended Feb. 19, 1955, an increase of 2% was recorded. For the period Jan. 1, 1955 to *Feb. 19, 1955, a gain of 6% was registered above that of 1954.

Retail trade volume in New York City the past week moved ahead by about 1% over that of the corresponding period a year ago.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended Feb. 19, 1955, showed no change from that of the like period of last year. In the preceding week, Feb. 12, 1955, a decline of 3% was reported from that of the similar week in 1954, while for the four weeks ended Feb. 19, 1955, a decrease of 3% was reported. For the period Jan. 1, 1955 to *Feb. 19, 1955 the index advanced 1% from that of 1954.

*Comparison period begins with the Jan. 3-8 week in 1955 and with the Jan. 4-9 week in 1954.

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Mutual Funds

By ROBERT R. RICH

HOW PAPER product company and petroleum stocks are regarded by one of the leading mutual fund companies is illustrated by the fact that holdings in Kimberly-Clark Corp., were increased by 30,000 shares and Mead Corp. shares increased by 1,175 shares. This is shown in the Fundamental Investors, Inc., annual report.

Total market value for paper company common stocks held by the Fund were $17,078,750 or 6.7% of net assets. Of this total, 39,000 shares were held in Champion Paper and Fibre Co.; 14,000 shares in Container Corp.; 9,000 in Dixie Cup; 59,000 in International Paper Co.; 60,000 in Kimberly-Clark Corp.; 16,000 in Lily-Tulip Cup Corp.; 48,000 in Mead Corp.; and 22,000 in Union Bag and Paper Corp.

Assets of the fund at the year-end were $256,249,343 compared with $156,418,155 at the end of 1953.

Petroleum securities were 20% of total assets, or $51 million.

During the last three months of 1954, the Fund purchased 1,000 additional shares of Cities Service Co.; 2,000 shares of Gulf Oil Corp.; 9,000 shares of Socony-Vacuum Oil Co., Inc.; 10,000 shares of Standard Oil of California and 4,000 shares of The Texas Company.

It held, as of Dec. 31, 15,000 shares of Amerada Petroleum Corp.; 19,000 of Cities Service; 44,000 Continental Oil (Del.); 32,000 Gulf Oil; 50,000 of Louisiana Land & Expl. Co.; 52,000 of Mission Corp.; 40,000 in Ohio Oil Co.; 39,000 in Phillips Petroleum Co.; 29,000 of Pure Oil Co.; 40,000 of Shell; 23,000 Skelly; 90,000 Socony-Vacuum; 50,000 Standard of California; 62,000 of Standard of New Jersey; 3,000 in Superior of California; 46,000 of Texas Company and 16,000 of TXL.

TELEVISION-ELECTRONICS Fund recorded a $23.3 million increase in assets in its first fiscal quarter ended Jan. 31, last, according to its report transmitted to shareholders by Chester D. Tripp, President.

The report listed the Fund's total assets at an all-time high of $79,231,366, or $10.89 a share, at the close of the quarter, as compared with $55,868,018, or $9.47 a share, three months previously.

Mr. Tripp attributed the asset increase to appreciation of investments in the portfolio plus sales of additional shares of the Fund to the public. He pointed out that while the organizers of the Fund foresaw the tremendous potential in the science of electronics and created the Fund for participation in this growth, results have not only proved the soundness of their judgment, but have exceeded their predictions. "Whereas," he observed, "they foresaw an output of electronics of several billion dollars a year, in 1954 this volume reached approximately $10 billion. "This," he continued, "is an increase of over 600% in eight years."

The TV-Fund executive sees automation as the eventual solution to color television sets' price problem. One set manufacturing company, he told shareholders, now assembles about half of its chassis mechanically and another has developed an "automated" production machine using tapes instead of dies or templates.

"Such types of improvements," Mr. Tripp said, "will reduce the cost of color sets to the point where the public will buy them."

New investments by the Fund during the quarter, according to the report, were in the common stocks of ACF Industries, Inc.; Consolidated Electronics Industries; Consolidated TV & Radio Broadcasters; The Electric Controller & Mfg.; Elox Corporation of Michigan "A" and "B"; Food Machinery & Chemical Corp.; Litton Industries, Inc.; The Ryan Aeronautical Co.; and TelAutograph Corporation.

PURITAN FUND'S net assets, number of shares outstanding and net asset value per share all attained new highs during the six months ended Jan. 31. As of Jan. 31, 1955, net assets of the Fund totaled $5,825,642 compared with $1,887,069 at the July 31, 1954, fiscal year end, an increase of 209%. The number of shares outstanding amounted to 916,616, an increase of 169% over the total outstanding on July 31, 1954. Net asset value per share was $6.36 compared with $5.53 per share as of July 31, 1954. On Jan. 25, 1955, a dividend of nine cents per share was paid by the Fund compared with six cents in the previous quarter on Oct. 25, 1954. In the latest 12 months' period ended Jan. 31, 1955, distributions from income totaled 33.3 cents per share.

Fund Official Sees Gains for Heavy Industries in 1955

CHICAGO, Ill.—A sharp upturn in the earnings of key heavy industries and railroads was predicted here today by a mutual fund official.

William J. Dacey

Addressing a conference of business executives, bankers and investment managers at the LaSalle Hotel on the investment outlook for 1955, William J. Dacey, member of the policy committee of National Securities & Research Corporation, New York, said the recovery in steel, non-ferrous metals, machinery and railroad earnings which began in the final quarter of 1954 will continue in the months ahead. The result, he added, will be an increase over last year that will surpass the 5 to 6% gain forecast for total corporate earnings.

Mr. Dacey indicated that his investment company, which sponsors and manages the National Securities Series of Mutual Funds with combined total assets of more than $200,000,000, plans at this time to retain "substantial holdings" in securities of these industries.

"They have given us a good return in the past," he said, "and since they represent basic industries upon whose activity and well-being the peacetime economy and military strength of the United States depend in great measure, we believe that the long-range future holds excellent promise for them."

Combined earnings of the steel companies this year may show better than a 10% gain over 1954, Mr. Dacey said.

"Many of the larger companies," he added, "with an excellent cash flow, are in a position to be a little more generous than they have been in the past on dividend distributions. You may think that an 80 to 85% rate of operations is on the low side—but look at the weekly tonnage figures instead of the weekly operating rate.

"Consider what these companies were able to earn in 1954 when industry operations averaged about 71% of capacity and actual tons of ingots and castings produced were down 21% from the 1953 record high total."

Combined net incomes of the class I railroads are also expected to increase by "at least 10%," the fund executive said, adding that some carriers will show much greater gains in their common share earnings.

"Erie Railroad and Baltimore & Ohio, for instance," Mr. Dacey explained, "may increase common share earnings by almost 200%; Pittsburgh & Lake Erie may show about a 25% gain; Pennsylvania may report nearly twice what it earned on its stock in 1954; Rock Island could gain almost 30% over its 1954 profits per share. Some railroad preferred stocks may be refunded with or exchanged for income bonds, as our 1955 'Forecast' points out, and—if some plans being considered become realities—a further lift could be given to 1955 profits through the resulting tax savings."

Discussing the outlook for other basic industries, Mr. Dacey said:

"Residential building and construction in general seems to be headed toward another excellent year, with the combined total for public and private outlays at a new all-time high."

The non-ferrous metal companies "should have a better year in 1955 than in 1954, when strikes hit some of the copper companies a fairly hard blow in the third quarter. The aircraft prospects are bright for some time to come."

Mr. Dacey told the meeting he looked for another good year for the national economy in 1955. Personal consumption expenditures and construction expenditures, bolstered by a continuing rapid increase in population, are expected to reach new all-time peaks, he said. He warned, however, that the anticipated progress of business should not be expected to follow an unwavering upward trend.

"While we hold that business and market cycles must still be carefully plotted and watched because they are not extinct," he said, "we do believe that (irrespective of the party in power) the fiscal, credit, unemployment insurance and farm price powers of the Federal Government, together with the stimulus that can be provided—if political expediency so requires it—by expansion of activities in such fields as public construction, flood control, reclamation and irrigation, will be utilized in such fashion that the gyrations of the economic cycle can be confined within narrower ranges than have heretofore been recorded."

Personal Progress

DONALD H. RANDELL, Vice-President and Director of Frank L. Valenta & Co., Inc. has been elected Vice-President of Natural Resources Fund, Inc. and Natural Resources of Canada Fund, Inc., Frank L. Valenta, President of the two open-end mutual funds announced. Mr. Randell was formerly Assistant Manager of the investment department of Home Insurance Company.

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Group Secur Sales Triple

Group Securities, Inc. reports record sales of $9,143,875 during the first quarter of the current fiscal year, ended Feb. 28. This more than triples sales volume for the first quarter of 1954, according to Herbert R. Anderson, President.

Group's current assets are reported at $86,581,997, about 52% greater than the $57,026,939 total of a year ago. Shares outstanding at Feb. 28 totalled 11,699,409, a gain of 30.5% over the 8,951,717 figure on the same date last year. During the period shareholders increased 20.7% to 32,600.

Dividend payments from income during the quarter amounted to $916,288, bringing to $39,595,749 the total of such payments since Group's incorporation in 1933.

Wellington Fund Adds To Bank Stock Portfolio

The $400 million Wellington Fund increased its investment in bank stocks by more than $5 million in the last half of 1954, according to its 26th annual report recently made public.

The company's holdings of bank stocks were valued at $14,911,410 on Dec. 31, last — up $5,165,909 over a $9,745,501 investment in this category six months previously.

Purchases of bank stocks in the period included 5,000 shares of Bankers Trust Co., N. Y.; 11,000 shares of Chase National Bank of N. Y.; 29,000 shares of National City Bank of N. Y.; and 29,000 shares of Transamerica Corp.

Thirteen banking institutions are represented in Wellington's portfolio. The largest single investment in this group consists of 50,000 shares of National City Bank of N. Y. Other holdings include: 36,000 shares of Chase National Bank of N. Y.; 25,000, Bankers Trust Co., N. Y.; 29,000, Transamerica Corp.; 18,000, National Bank of Detroit; 3,333, First National Bank of Chicago; 10,000, Manufacturers National Bank of Detroit; 3,200, Cleveland Trust Co.; 22,000, First Bank Stock Corporation; 8,000 Guaranty Trust Co. of N. Y.; 10,850, Republic National Bank, Dallas; 10,000 Northwest Bancorporation; and 8,001, First National Bank of Boston.

The Wellington management told shareholders in the report that bank stocks had been increased because of their good earnings outlook or attractive yields.

The Fund's net assets rose $120,846,000 in 1954 to a new high of $401,740,447 on Dec. 31, last, equal to $24.60 a share, from $280,894,213, or $19.97 a share, on the same date a year ago.

MORE THAN $1,250,000 of new capital was invested in Keystone's Low-Priced Bond Fund B-3 during 1954 according to the Semi-Annual Report covering operations for the six months ending Jan. 31, 1955. The report also noted that more than 10% of the Fund's outstanding shares are held in fiduciary accounts.

Portfolio changes appear on the inside spread of the attached report. Other changes were as follows:

	Jan. 31, 1955	Jan. 31, 1954
Total Net Assets	$50,352,471	$45,230,752
Shares Outstanding	2,564,610	2,505,290
No. of Shareholders	20,360	20,075

Combined assets of the 10 Keystone Funds amounted to $289,759,800 as of Feb. 27, 1955.

TOTAL NET assets of T. Rowe Price Growth Stock Fund, Inc. increased to $4,086,654 on Dec. 31, 1954, as compared with $2,209,229 one year earlier. The net asset value per share also increased substantially in value from $17.12 on Dec. 31, 1953, to $25.64 on Dec. 31, 1954, a gain of 50% during the year.

John Kalb Returns To Kalb, Voorhis Co.

John Kalb announces that he is returning to Kalb, Voorhis & Co., members of the New York Stock Exchange, a firm which he organized in 1946 and then left two years ago in order to establish Investors Planning Corporation of America.

John Kalb

Mr. Kalb feels that his job, as co-founder of Investors Planning and its product, has been successfully accomplished, and for this reason he can now return to his original activities as security analyst and investment economist at his former New York Stock Exchange firm.

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Continued from page 7

New York's Bank Fiduciary Fund— A Trust Investment Company

ministration in small banks cost a little more than it does in large banks. In so doing we are facing facts.

The present fee schedule in New York State is the same for every bank, large or small. This suggests that the cost of investment management is the same in all banks, regardless of their size. Nothing could be further from the truth.

Trust administration and particularly investment management are perfect examples of the law of diminishing costs. It costs no more more for a railroad analyst to supervise $10 million than $10,000. It costs the same to talk half an hour with a beneficiary, whether you are discussing a large sum of money or a small one. Naturally, the cost per unit declines rapidly as the amount involved increases.

We ignore these facts when we set one fee schedule for all banks. We pretend that trust administration costs the same at retail as it does at wholesale, and that is not so. We may never have a fee schedule which fully reflects these differences; but in charging the expenses of the Bank Fiduciary Fund to the beneficiary, we are taking a small step in the right direction.

The Small Banks vs. the Large One

There is only one other question which gave us real concern, and it is one which bankers in other states have asked first of all. What are the small banks doing in the trust business if they cannot equip themselves to handle it; and conversely, why have so many representatives of the big banks worked three years developing a fund in which none of them expects ever to participate? That seemed to bother the supervisory authorities, who greeted us with ill-concealed suspicion until they were convinced that our motives were honorable! The points we made to them were these:

(1) We propose to improve the quality of trust administration in nine banks out of ten. Anything which benefits so many banks must benefit banking in general.

(2) Trust administration is a very local and personal thing. We believe that the small banks can do it better than a few large banks or a central agency. This does not mean that wealthy individuals will not continue to go anywhere in the state or in the nation for the management they prefer.

(3) We do not agree that the administration of small amounts of money is necessarily unprofitable. Only in the trust field has that premise been accepted. Commercial banks have special checking accounts and small loan departments. Savings banks will open an account with $5. Insurance companies will enter into a lifelong relationship with a policyholder in the amount of $1,000 or more. The mutual funds have become a major factor, and a profitable one, in the investment field, although participations average less than $3,000.

Only in the trust field is the break-even point out of reach of the man of average means. Some banks estimate that they break even on a $50,000 trust, and I know of some which do not solicit new business below $100,000.

In other industries, it has been proven that the most money is to be made from products and services attractive to the average man. This may not be entirely true of the trust field. But surely we cannot rest on our oars, and be content with our accomplishments, until we have tried every modern technique which others have developed or which our own ingenuity can devise. The mutual trust investment company is a technique which borrows freely from the successful experience of other fields of finance.

If we had any doubt that we were right in this undertaking, the reception which we received has dispelled it. Wherever we have gone to coordinate the plan, we have had a sympathetic audience and active assistance. Improving the condition of the small trust and the small trust department is a popular cause. So many people have helped us along, and so many responsible authorities have granted their approval, that we have been reminded of the old saying that "There is nothing in this world so powerful as an idea whose time has come."

The small trust is a prevalent problem, and small banks appear to have a host of friends. Their situation has the attention now of every one concerned with the scope and quality of their service. There could not be a more favorable atmosphere in which to work for the betterment of the administration of small trusts.

That is about all I can tell you about New York's Bank Fiduciary Fund. We have high hopes for what it will do for us, and no misgivings. Although we have gained a lot of ground in three short years, we believe that we have developed something which is sound as well as promising. If any of you should see merit in the plan of the New York State Bankers Association as it might apply to your own small trust problems, our efforts will have been doubly rewarding.

Blyth Group Offers Utility Common Stock

An underwriting group headed jointly by Blyth & Co., Inc., Smith, Barney & Co. and Harriman Ripley & Co., Incorporated, offered for public sale yesterday (March 2) 600,000 shares of Central and South West Corp. common stock ($5 par value) at $33.50 per share. The stock was awarded to the group at competitive sale on March 1.

The company plans to invest about $17,000,000 of the proceeds in the common stocks of certain system companies to be used by them in financing a part of their construction programs. Any remainder of net proceeds will be applied to the reduction of the outstanding indebtedness of the parent company.

Central and South West Corp., a registered holding company under the Public Utility Holding Company Act, owns all of the outstanding shares of common stock of Central Power & Light Co., Public Service Co. of Oklahoma, Southwestern Gas & Electric Co. and West Texas Utilities Co. Central Power and West Texas Utilities operate in portions of Texas; Public Service Co. of Oklahoma in eastern and southwestern Oklahoma, and Southwestern Gas & Electric in portions of Texas, Arkansas and Louisiana.

For the five-year period 1950-1954 consolidated operating revenues of the company and subsidiaries increased from $72,756,281 to $104,523,685 and consolidated net income from $11,520,112 to $18,166,433.

Dividends amounting to $1.04 per share were paid on Central and South West common stock in 1953 and $1.20 in 1954. A quarterly dividend of 33 cents per share was paid Feb. 28, 1955 to stockholders of record Jan. 31, 1955.

$250,000,000 General Motors Acceptance Debentures Offered

Marking the largest underwritten corporate debt financing operation of the year, an underwriting group headed by Morgan Stanley & Co. comprising 274 investment firms is offering for public sale today (March 3) $250,000,000 of General Motors Acceptance Corp. new debentures. The offering, in two parts, is made up of $50,000,000 of five-year 3% debentures due 1960 priced at 100% and accrued interest and $200,000,000 17-year 3½% debentures due 1972 also priced at 100% and accrued interest.

Proceeds from the sale of the debentures will provide additional working capital for GMAC for the purchase of receivables. Expansion in the business of General Motors dealers since the end of the war has materially increased the need for GMAC financing facilities, resulting in substantial increases in notes and bills receivable and borrowings.

The new five-year debentures are subject to redemption at prices ranging from 102% through Sept. 30, 1955, to the principal amount on and after April 1, 1959. Redemption prices for the 17-year debentures start at 103½% and decline to 100% on and after March 15, 1968.

GMAC finances the distribution of new products manufactured by General Motors Corp. to dealers for resale and finances dealers' retail instalment sales of new General Motors products and used units of any make. Financing related to automotive vehicles comprised 96% of the dollar volume of receivables purchased in 1954.

During the five-year period 1950-1954 the annual volume of receivables acquired by the company increased from $4,093,393,981 to $6,923,427,310. Notes and bills receivable held by the company increased from $985,383,106 as of Dec. 31, 1949 to $2,521,881,787 at Dec. 31, 1954.

GMAC consolidated total annual operating income increased from $100,974,000 to $209,671,000 in the five-year period 1950-1954. Income before interest and discount and income taxes rose from $64,839,000 to $143,561,000 during the same period.

Yankee Dundee Mines Common Stock Offered

Wellington Hunter Associates are offering as a speculation 750,000 common shares of Yankee Dundee Mines Ltd. at a price of 40 cents per share.

Net proceeds from the sale of the stock will be used by the company to cover payments for certain property, and for working capital and exploration work.

Yankee Dundee Mines Ltd. is engaged in the exploration for ore deposits containing gold, silver, lead and zinc, and in the exploration for uranium deposits. The company has acquired options to purchase 22 Crown Granted mineral claims situated in the Nelson Mining Division in the Southeast corner of British Columbia, and it also holds an undivided 45% interest in several uranium claims in Saskatchewan, Canada.

The company at present has issued and outstanding 1,522,440 shares of common stock.

Thomson & McKinnon Add

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Philip R. Anderson has joined the staff of Thomson & McKinnon, Shoreland Bldg.

Continued from page 3

Major Factors in the Investment Outlook for 1955

equivalent amount of funds available for investment in other bonds and mortgages.

The commercial banks also added about $1.6 billion to their holdings of tax-exempt issues, absorbing about 30% of the net increase in state and local government indebtedness. Furthermore, the commercial banks increased their holdings of mortgages by about $1½ billion and provided some additional funds to the investment market through increased loans to dealers and brokers in securities and mortgages. The increase in commercial bank holdings of mortgages and securities, which totaled over $9 billion in 1954, was, by a substantial margin, the largest increase in any single postwar year.

The policies of the monetary authorities helped to make possible this large assistance provided to the investment markets by the commercial banks in 1954. The policy of active credit ease followed by the Federal Reserve during the most of last year made reserves easily and freely available to the banking system. The easy reserve position, and the accompanying decline of short-term interest rates to low levels, encouraged the commercial banks not only to add to their holdings of government securities but to extend their maturities as well.

Investment Outlook for 1955

Our appraisal of the investment outlook for 1955 may be summarized briefly as follows: both demands for long-term investment funds and the flow of savings are expected to show another increase this year; the savings institutions will continue to find ample investment outlets available for their funds; the commercial banks will again provide support to the investment markets but probably on a scale significantly below 1954; however, business corporations will probably be buyers of government securities, on balance, in 1954. As was the case last year, credit and debt management policies will play an important role in determining the environment in the investment markets in 1955.

Prospective Investment Demands

The recovery in business activity in the closing months of last year, the strength currently displayed by large users of investment funds such as building and construction, and debt management decisions by the Treasury all indicate a further increase in the demands for investment funds in 1955. Corporate net new issues may show a further decline, but the decrease is expected to be of fairly moderate proportions. Funds generated internally by reinvested profits and depreciation will be larger. However, gross working capital requirements, which declined in 1954, will expand in 1955, and outlays for plant and equipment will be about as large as they were last year.

State and local government spending on capital programs will show another increase in 1955. Consequently, the increase in tax-exempt obligations outstanding is expected to be as large as in 1954. A big imponderable is whether the proposals for a highway program and for Federal aid to education will cause some cutbacks in state and local government programs, pending clarification of the details of the Federal undertakings. In our estimates, we have assumed that these will not be major deterrents to spending and borrowing on the part of state and local governments in 1955. We have also assumed that no financing will develop this year under the new highway program.

The strength in building and construction in recent months seems sufficient to guarantee that the increase in outstanding mortgage indebtedness this year will exceed the record growth in 1954. This conclusion seems warranted even though, as many people believe, there may be some decline in the rate of building and construction later in the year.

In total, therefore, combined requirements of business corporations, state and local governments and real estate owners in 1955 are expected to be somewhat larger than in 1954. However, the Treasury, which offered no long-term bonds in 1954, has already tapped the long-term investment market in 1955 for $1.9 billion of 40-year 3% bonds through a refunding operation. An impression of the relative importance of long-term financing by the Treasury in comparison with other net requirements for long-term funds is shown by the following (in billions):

	1953	1954	1955
Net requirements for investment funds (business corporations, real estate, and state and local governments)	$21.3	$23.7	$24.3
Treasury long-term marketable bonds—gross amounts	1.6	--	1.9
	$22.9	$23.7	$26.2

It is very difficult to appraise the effects of the new 40-year Treasury bonds on the supply of funds available for other investments. Possibly a fairly large part of the funds required for the acquisition of the new bonds by long-term investors was obtained by the shift of other Treasury obligations to the commercial banks or to other buyers. However, part was doubtless obtained by the temporary depletion of cash balances and part was obtained by an increase in bank loans to dealers in government securities who sold the new bonds on an instalment payment basis. Presumably the cash balances will be restored and the instalments paid. On balance, the net reduction in the amounts available for other long-term investment later in the year will be only a fraction of the total amount of 40-year bonds issued.

Flow of Savings—The flow of funds into the major savings institutions will be modestly larger in 1955 than it was last year. Savings and loan associations are still in a period of dynamic growth and the increase in their funds in 1955 may be considerably larger than in 1954. Trusteed pension funds and state and local government retirement funds also appear to be growing more rapidly each year and the growth in life insurance company assets is likely to exceed that of last year. On the other hand, the increase in deposits of mutual savings banks may be smaller than in 1954, particularly if speculation and the buying of consumer durable goods should acquire greater momentum. Also, time deposits of commercial banks may very well show a smaller rise than in 1954.

Commercial Banks and the Investment Markets—The contribution of the commercial banks to the investment market is, for a number of reasons, likely to be significantly smaller in 1955 than in 1954, when they added about $9 billion to their security and mortgage portfolios. Bank reserves are not likely to be as freely available as they were last year. A policy of active credit ease is appropriate in a period when business is declining, but it is not suitable when the business trend is upward. The recent improvement in business activity appears to have been reflected in a less liberal policy on the part of the credit authorities in providing reserves to the banking system. The present policy can hardly be called one of credit restraint and the authorities will undoubtedly provide sufficient reserves to take care of some increase in the money supply during 1955. However, it is not necessary to assume a restrictive credit policy to conclude that the commercial banks are not likely to find their reserve position in 1955 as easy as in 1954.

Business trends are, of course, all-important in the formulation of credit policy. An early end to the recent upturn in business would probably be followed fairly promptly by a renewal of an actively easy credit policy. In our judgment, however, the expansionary forces in the economy are likely to persist for some time ahead, although some temporary interruption in the upward movement is possible. It is recognized, of course, that developments abroad may require a reappraisal of the economic outlook.

Another reason for expecting a smaller contribution by commercial banks to the investment markets in 1955 is the improvement in the loan outlook. Consumer loans of commercial banks are likely to show an increase in 1955. The liquidation of business inventories, which contributed to the decline in business loans last year, apparently has run its course. A resurgence of large business borrowing is not probable unless inflationary pressures put in their appearance, but the outlook for business lending appears more favorable than it did a year ago. Consequently, the commercial banks may be inclined to husband more of their resources for their lending operations.

The improvement in the business outlook and the recent firming of interest rates may also reduce the desire of the commercial banks to lengthen their investment portfolios, especially since much was done along this line in 1954. The cumulative effect of the foregoing factors is that the savings institutions may not find so ready a market in the commercial banks for the government securities they may like to sell in 1955. Also, prices of government securities are lower now than they were during most of last year and this may make some of the savings institutions less eager sellers.

The Secondary Market for Government Securities—While it seems clear that the commercial banks are not likely to provide as much support to the investment markets as in 1954, this reduction will be offset to some extent by a shift from liquidation to accumulation of government securities on the part of business corporations. In 1954, business corporations were paying taxes on 1953 profits, but were accruing taxes on lower 1954 profits and at lower effective rates of tax (giving effect to the expiration of the excess profits tax). As a consequence, business corporations reduced their holdings of Treasury obligations by an estimated $2 to $2.5 billion in 1954.

The prospect is that this trend will be reversed in 1955 and that business corporations may make modest additions to their holdings of government securities, even after allowing for the additional 10% tax payment in the second half of calendar 1955. Corporate profits are expected to show some increase this year with a corresponding rise in tax accruals. Also, with the increase in short-term rates, some corporate balances may be converted into short-term securities.

However, this shift from liquidation to accumulation of government securities on the part of business corporations may not fully offset the reduction in the support to the investment market likely to be provided by the commercial banks in 1955. In the first place, the swing in business corporation holdings of government securities by $3 to $3.5 billion, perhaps a reasonable prospect this year, compares with an acquisition of $6 billion of government securities by the commercial banks in 1954. Furthermore, unlike the banks that lengthened their government portfolios in 1954 and in the process acquired substantial amounts of medium-term securities formerly held by the savings institutions, the business corporations are generally interested only in short maturities. Consequently, the task of lightening the government holdings of savings institutions may not be as easy in 1955 as it was last year.

Conclusion

The conclusion of this analysis of prospective supply of and demand for investment funds is that investment demands are not likely to be satisfied with the ease and facility that was the case in 1954. Including the demands of the Treasury for long-term money, demands for investment funds are likely to rise to record heights in 1955. Furthermore, the commercial banks will not be in a position to provide support to the investment markets on the same scale as in 1954.

Attempting to trace in detail the impact of these forces upon long-term interest rates would be beyond the scope of this study. The course of interest rates will depend not only upon the demand and supply situation for investment funds but also upon the strength of the business recovery, upon policy decisions by the credit and fiscal authorities, upon a host of decisions that will be made during the course of the year by prospective borrowers and lenders, and upon changes in the expectations of the financial and business community. Also, various classes of interest rates may feel the forces operating in the investment markets in different degrees and in different ways, again depending upon investment policy decisions. However, if business continues to improve and if the investment situation develops in about the manner assumed in the projections for 1955, one conclusion seems quite clear: the upward pressure upon long-term interest rates is likely to persist for some time to come.

Continued from page 11

If War Comes—What Industries Will Be Affected?

gineers. Each of the aircraft companies employs thousands of them. It took 238 engineers plus 113 additional staff people two years to design and build the first Boeing 707 jet transport. According to Business Week (Dec. 18, 1954) RCA wants 300 more engineers; GE wants 400, and IBM wants 700. According to this same article, one large company offered to hire the entire graduating class at MIT, numbering about 900 engineers. Thus, it seems clear that the demand for engineers exceeds the supply. Under these conditions, it seems foolish to insist that these highly trained people spend two or more years on a nontechnical military assignment where their training cannot be used.

The Personnel Needs of the Military Services

All of us recognize that the military services have a definite need for a good many scientists and engineers. War as well as industry is becoming more complex and technological. Many of the modern machines of war require engineers or scientists for their operation or maintenance. Also, the military services carry out certain kinds of research and development work which would be unsuitable for civilian organizations. These technical positions must be filled, and well filled, if the military services are to function effectively. Our concern is to insure, however, that technical talent is not wasted on nontechnical work.

I'm afraid that many people do not fully appreciate the essentiality of large numbers of scientists and engineers to industry. For example, during World War II one of the favorite questions of local draft boards was, "If we draft this man will your plant shut down?" or, "If we draft this man will your producion fall off?" Of course, the answer so far as any one individual is concerned is probably "no". There is no such thing as the indispensable man. However, if you multiply one man by even a relatively small number and take these men out of production, the efficiency of operations is jeopardized and the ability to change operations or handle emergencies is sharply curtailed. I recall that during the last war we were making at Whiting a substantial percentage of the country's production of toluene for subsequent TNT production. Difficulty developed time and again wih one length of pipe used to transfer hot oil vapors from one vessel to another. The line kept failing, or threatening to to fail and we couldn't find out why. Engineers were put on the job to measure pipe thickness and to calculate the stresses involved. Microscopic examinations of pieces of line that failed were made. Chemists analyzed the oil streams involved looking for impurities that might be causing the trouble and they also analyzed pieces of the line that had failed. The original line was made of high alloy steel designed to operate at 1150°F. It kept cracking in many places and all attempts at welding were unsuccessful. As an interim measure, until the real difficulty could be found, an ordinary carbon steel line was installed. The trouble with this was that while using this kind of pipe the operating temperature was limited to 1050°F, 100° lower than desired, and production of toluene was reduced accordingly. The engineers finally recommended a different type of alloy steel from that specified originally; also, as a result of detailed and complex mathematical calculations, they recommended different types of support and additional expansion loops. These recommendations were adopted and the crisis was over. Successful operation was achieved.

It's hard for some of us in industry to understand the thinking of some people along these lines. It seems obvious to us that if a war-supporting industry needs a certain number of engineers and scientists in peacetime the requirements of people with these skills is bound to increase in wartime. And yet we find people in Selective Service and other branches of the government who tell us that if war comes we will all have to release some arbitrary percentage of our technical staff. This might be true in a few non-

defense industries, but in most of them the needs will increase. The people we have come in contact with in selective service are uniformly sincere in their desire to do a good job. It must be that they do not have all the facts. I hope this conference can spread a better understanding of how these things work.

The Lessons From Germany

Since our military people have twice confronted the German military machine—and have had fairly tough going each time—it might be in order for us to see how the Germans accomplished what they did. They had a relatively small population, a total absence of certain vital resources such as rubber, and both times they had to fight on two fronts. One of the major factors in their ability was a highly productive industrial machine. In certain fields, notably chemicals, they dominated the world prior to 1914. In a talk several years ago, Dr. Roger Adams explained how they did it. Basically, they greatly increased their percentages of highly trained technical men. I might mention in passing that one of their techniques involved great prestige and also comparatively high financial rewards for the top scientists—for example, de Herr Professor in the University.

At any rate, the German scientists enabled the war machine to operate in spite of their shortage of men and raw materials. For example, the Haber ammonia process supplied explosives and fertilizer which formerly had to be made from nitrates, largely from Chile. It is disconcerting to think what could happen to us if we had to face an enemy with tremendous manpower, a plentiful supply of scientists, and unlimited raw material. As you know, there is such a potential enemy.

Before we leave the question of Germany, we might also find it instructive to mention an instance or so in which their military people refused to listen to the scientists. Elon Hooker, the late President of the Hooker Electrochemical Company, used to tell a story about the German use of poison gas. He related that once he stood in the German trenches near Ypres, and could see the North Sea. Professor Haber had recommended the use of chlorine gas, but pleaded with the German high command not to use it until enough was available for a major attack—one that would permit a break-through to the channel. The German generals insisted on a smaller-scale experimental use at Ypres. Results were as expected, but were on too small a scale to let the Germans break through. The German generals were then convinced that chlorine was an effective weapon. However, by the time enough could be produced for a massive, large-scale attack, the Allies were prepared. The German attacks were not successful. The point here is that military, industrial, and scientific consideration must all be coordinated if maximum effectiveness is to be achieved.

Again in World War II, I believe our experts think the Germans made many serious blunders in their handling of science. One example was the premature freezing of airplane design by decree of Hitler. Another was developing jet bombers for offense instead of jet fighters for defense. The outstanding one was their failure to develop the atomic bomb after their scientists had electrified the scientific world by their discovery of atomic fission just before the War.

Even with these mistakes and their handicaps in raw materials, the Germans came uncomfortably close to winning two wars. It would not take much mishandling of our scarce supply of scientists and engineers for us to lose the next war—if one comes.

A New National Reserve Plan

The Department of Defense has recently announced a proposed new National Reserve Plan. Others on this program will discuss its details. However, there is one point on which I should like to comment. As I understand it, the present proposal has no provision for insuring that technically trained people are used on technical assignments. I do not believe that we can safely leave this completely in the hands of the military. Past experience, particularly with selective service, does not lead to confidence that these things will be handled in a manner resulting in maximum effective use of personnel with specialized training unless the law, or top-level administrative ruling, spells out a method for determining where each individual can best serve his country. The determination should be made by an authority which is not dominated by the military and in which essential civilian interests are effectively represented.

As an illustration of what has happened in the past, let's look at the technical staff of the Standard Oil Company located at Whiting, Ind. As of the first of this year, 54 college trained engineers and scientists had been inducted into the military services by the selective service system. Many of them have substantial experience. Fourteen more are classified 1A and presumably will be inducted soon. An additional 12 have their cases in various stages of appeal. In total, this refinery has lost or will probably lose 80 engineers and scientists to the draft. In addition there are 35 more now deferred who may be reclassified and inducted later. It must be clear to anyone who has any understanding of these problems that a drain of technically trained manpower of this magnitude presents a problem of substantial importance. Similar situations exist in many other companies.

Now if these men were assigned to technical work where their training was needed, we could hardly object. But we know that this is frequently not the case. We don't know what all of them are doing but we know of one fully trained engineer who is now a "clerk-typist" in the Army. Another, a chemical engineer who two years' experience in one of our refineries, writes as follows:

"As you can deduce a 12-year old child could easily take the courses and do well. Absolutely no technical training is necessary as many of the students are high school graduates only."

With the shortage of scientists both in and out of government service, such situations are disgracefully wasteful.

There are two points it is easy to lose sight of. One is that—to an increasing extent—successful technical performance in industry requires a higher and higher level of technical training—more and more with Ph.D. training.

The second point is that the requirement of two or more years in the military services is a serious deterrent to such higher education. It must be remembered that our potential scientists are civilians with considerable freedom of choice in organizing their careers. The authorities can put them in the Army for two years if we want to do so, but we cannot tell them how to organize their civilian lives before and after their army training. Many of these men are at an age when they are anxious to settle down and get married. This urge has prevented more than one man from going to college even without the necessity for military training. If we add two or more years to the time it takes them to complete their education, many potential scientists and engineers will decide that higher education is not worth the extra time. This will be true for people contemplating undergraduate training and will be even more true for people who might otherwise go on for graduate work. If it is necessary to spend two years in military service, it would mean that an 18-year-old high school graduate would be at least 27 years old before he could get his Ph.D. He would be even older if he had to work part time while going to school. With salaries and wages for nontechnical people at present levels, and considering that some people do quite well in business and industry with no collegiate degree at all, it seems likely that many capable people will forego additional training which might be of substantial value to the country. Under these circumstances, it seems clear to me that a two-year required period of military service will cost the country thousands of scientists and engineers, particularly those with advanced training. I do not think we can safely take such a loss. The security of the country would, in the long run, be severely impaired. I realize that we cannot relieve able-bodied men of their obligations to serve their country in case of need, but with our growing need for scientists, both within and outside the services, we should be able to keep them where they are most needed.

I have tried to emphasize in the brief time available the needs of industry for technically trained personnel. The need today is great. It will become increasingly greater as time goes on. Most of the new processes and products of industry are more complex than their predecessors. The ratio of technically trained men to other workers should continue to increase. Some way must be found to train and utilize our scientists and engineers with maximum effectiveness.

I hope that at the end of this conference it will be possible to formulate some recommendations for consideration by Congress this spring. The present laws governing selective service and the reserve forces are inadequate. Changes must be made and it is up to us to see that Congress is well advised. I think this conference is a fine thing and I am glad to have had an opportunity to participate.

Chicago Analysts to Hear

CHICAGO, Ill. — E. J. Hanley, President of Allegheny Ludlum Steel Corporation will address the luncheon meeting of the Investment Analysts Society of Chicago to be held March 10th at 12:15 p.m. in the Georgian Room at Carson Pirie Scott & Co. C. W. King, Executive Vice-President, and R. S. Ahlbrandt, will accompany Mr. Hanley. An 18 foot display of the company's products will also be made.

At the March 24th meeting Tennessee Gas Transmission Company will be the subject.

Federated Secs. Formed

(Special to The Financial Chronicle)

BATON ROUGE, La. — Federated Securities Corporation is conducting a securities business from offices in the Louisiana National Bank Building. Officers are E. H. Williams, President, Wilburn V. Lunn, Vice-President and Allison R. Kolb, Secretary-Treasurer.

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Continued from page 19

Responsibilities of Government Under the Employment Act of 1946

viously enlarges vastly the amount of expansion of output and demand required to restore maximum employment and production.

Total Production

The annual rate of gross national product was $361.8 billion in the first quarter of 1953. It rose considerably in the second quarter, then dropped sharply through the first quarter of 1954, then stabilized for the two middle quarters of 1954 at about 355.5 billion, and then rose to 361 billion in the fourth quarter.

The fourth quarter 1954 annual rate of gross national product, while about the same as the first quarter 1953 level, was about $30 billion below the maximum employment and production level for the fourth quarter of 1954, i.e., about $391 billion. This results from projecting, from the first quarter of 1953, at a 3.7 rate of annual growth in productivity, plus an 0.8% rate of increase in total working hours (resulting from a 1.5% annual growth in the labor force under maximum conditions less a reduction of 0.7% per annum to take account of normal long-range trends in working hours).

This $30 billion deficit in the annual rate of total output, in the fourth quarter of 1954, correlated well with the excess amount of true unemployment plus underutilization of labor due to undesirable shifts in the composition of employment caused by the recession.

Consumer Expenditures

To maintain maximum employment and production, consumer expenditures would have needed to rise, at annual rates, more than $21 billion from the first quarter of 1953 to the fourth quarter of 1954. Actually, they rose only about $9 billion, resulting by the fourth quarter of 1954 in a deficiency of consumer spending at an annual rate of about $12.4 billion.

Comparing the same two periods, personal incomes before taxes rose only $5.3 billion, at annual rates. In the absence of the big changes in taxes and in the rate of savings which took place, personal incomes before taxes would have needed to rise about $19.6 billion more than they actually did, or by about $25 billion, to have maintained an adequate level of consumer spending. This $19.6 billion deficiency in consumer incomes before taxes was reduced to a $12.4 billion deficiency in consumer spending by changes in taxes and in the rate of savings having an annual value of about $7.2 billion in the fourth quarter of 1954.

Whether or not the big changes in taxes and in the rate of savings were desirable, these "shots in the arm" cannot indefinitely and in huge magnitudes take the place of the necessary growth in consumer incomes.

The failure to expand consumer incomes and savings sufficiently was central to the onset and maintenance of the recession. There are as yet no signs of the sources for even a nearly sufficient expansion of consumer incomes. The President's Economic Advisers do not appraise needed levels of consumer incomes; this is the most striking example of their failure to comply with the mandate of the Employment Act that they set forth needed levels of purchasing power.

Government Demand for Goods and Services

Even if consumer outlays had expanded sufficiently, public outlays for goods and services—Federal, State and local—in the fourth quarter of 1954 were at an annual rate about $10.7 billion below the requirements for maximum employment and maximum production. This was because public spending declined about $8.7 billion over this period, instead of increasing by about $2 billion. Since there was an actual rise of $3.3 billion in spending by State and local governments, an adequate level of public outlays would have been maintained if the reduction in Federal spending had been held to $1.3 billion. Instead, the slash in Federal spending was about $12 billion.

The severe slashes in Federal spending had a far greater impact than the bare figures reveal; because every dollar of Federal spending induces $2-$3 of private spending. Comparing the fourth quarter of 1954 with the first quarter of 1953, a reduction of $12 billion dollars in the annual rate of Federal outlays was accompanied by the development of a $30 billion deficit in total annual output.

If maximum employment and production had been maintained, the higher level of Federal spending requisite to this end would have been consistent with a more nearly balanced Budget, especially since in the absence of recession smaller tax reductions would have been necessary.

The Council of Economic Advisers, unfortunately, has presented no analysis of the needed levels of public outlays, consistent with maximum employment and production without inflation. This is one of their serious derelictions under the mandate of the Employment Act. They have not set the Federal Budget in the perspective of the national economy.

Private Investment Outlays

In the fourth quarter of 1954, total private domestic investment was running at an annual rate about $6.8 billion below the maximum economy level. Of this, however, about $4.5 billion was represented by inventory liquidation instead of accumulation. Only about $2.3 billion dollars represented a deficiency in new construction and producers' durable equipment.

The deficit in fundamental private investment was not a by-product of inadequate funds or incentives. If the level of consumer expenditures and outlays, and of public outlays, had been kept high enough, the level of business investment in construction, plant and equipment would have been sufficiently higher than it actually turned out to be.

The changes in the inventory picture have been largely responsive to, rather than the causes of, more fundamental economic maladjustments. The Council of Economic Advisers has, I believe, been seriously in error in terming the recession an inventory recession. Profound forces — productivity, income flow, agricultural decline, etc.—have been at work, and these the Advisers do not squarely face, nor do the Advisers appraise the significance of these profound forces for the immediate or long-range future.

Savings

The pinch put upon consumers in 1953 and 1954 forced an excessively rapid drawing down of savings, as many consumers were forced to spend a larger part of reduced incomes. The rate of personal savings out of personal income was 7.8% in 1952, 8% in 1953, and 8.6% in the fourth quarter of 1953. It dropped to 7.7% in 1954, and to 7.2% in the fourth quarter of 1954. Regardless of the

Continued on page 50

Continued from page 49

Responsibilities of Government Under the Employment Act of 1946

desirable level of saving in the long run, this drastic and precipitate reduction worked hardship upon millions of families, as could be clearly demonstrated by looking at the figures on the distribution of savings among American families.

QUESTION 2

On the basis of economic developments since 1952, how would you clasify calendar year 1954 in respect to the four phases of the business cycle identified in the earlier volumes of the National Bureau of Economic Research—as expansion, recession, contraction, and revival?

In the context of the current economic situation, I do not find these four categories particularly meaningful. They seem to me to be based upon a type of economic analysis, as applied to the current American economy, which is now inadequate. This type of analysis, I believe, does not sufficiently measure changes in the economy against the need for growth; it tends to measure changes too much with reference to fixed previous levels, and therefore tends to produce many misleading conclusions.

For example, the gross national product hardly changed at all in the first three-quarters of 1954; and in the fourth quarter it was about 1% higher than the average for the year as a whole and somewhat under 2% higher than in the third quarter. By measurement against previous fixed levels, one would say that the economy moved sideways—neither expanding, receding nor contracting — for the first three quarters of the year, and then revived or expanded substantially in the fourth quarter. But this seems to me a highly misleading emphasis.

It is closer to reality to say that the economy in the first three quarters of 1954 fell further and further behind "par for the course," which gets higher with the advance in productivity and the growth in the labor force. Consequently, we were much worse off in the third quarter of the year than in the first quarter. This conclusion is not vitiated because, in the short run, concealed unemployment and unfavorable shifts in the use of the labor force may mask some of these highly adverse developments. The best proof of this principle is that there was more than twice as much unemployment in 1954 as in 1953, and this could never be explained simply by looking at the gross national product which declined only from \$364.9 billion in 1953 to \$357.1 billion in 1954.

Similarly, it is superficial to measure the upturn in output in the fourth quarter simply by comparing it with the third quarter. It must also be compared with the level that would represent maximum output in the fourth quarter, which was higher than the level that would represent maximum output in the third quarter. An "upturn," if not sufficiently sizable, may be entirely consistent with a deteriorating situation insofar as the upturn does not keep up with the growth factor, or at least begin to remedy the accrued deficiencies of previous lack of growth. Some of the already cited figures on unemployment, for example, show little basic improvement.

Furthermore, the economic situation must be evaluated in terms of a wider variety of indices than those commonly used to measure whether the economy is expanding or contracting. For example, the materials in the President's Economic Report, prepared by the Council of Economic Advisers, would convey to the casual reader the impression of a distinct revival or expansion in the fourth quarter. But nowhere do these materials make any claim that the unemployment situation has been substantially changed, when allowance is made for seasonal factors and for the composition of employment. In fact, the Advisers systematically avoid real analysis of unemployment, its causes or cures.

My own view is that 1954 could not be characterized as anything other than a year in which we fell dismally short of maximum employment and maximum production—which I deem in accord with the Employment Act to be imperatively valid goals for the American economy. And because the end of the year, allowing for the growth factor, found us further from these goals than the start of the year, I am less optimistic for 1955 as a whole than I was for 1954 as a whole from the viewpoint of levels of unemployment.

Whether 1954 should or should not be called a year of recession or contraction, it certainly was a year in which we lost ground by the tests which I believe to be most valid. At the end of the year, our total output was further below maximum output than at the start of the year. At the end of the year, there was more hard-core unemployment than at the start of the year, the allocation of the labor force was more disturbing, and the corrective distance that we needed to go to restore either maximum employment or maximum production was greater.

QUESTION 3

What purpose, in terms of carrying out the objectives of the Employment Act, is served by defining the needed levels of employment, production, and purchasing power, and for how far ahead should they be defined?

The purpose of the Employment Act is to promote maximum employment, production and purchasing power, while considering certain other important objectives as well.

If maximum employment means optimum employment, different people may define it in different ways. One person may think that we should have 4 million unemployed, and another person might think that we should have 1½ million unemployed. Vastly different consequences of policy and program would result from these two different positions.

But if the **needed level of employment is not defined at all,** there is no basis for testing whether an asserted current economic condition or outlook is assuring or not because there are no standards against which to measure it. The Council of Economic Advisers does not define maximum employment. They do not even tell us whether they regard the current level of unemployment as far too high, far too low, or just about right. Thus, when they say 1955 looks good, we cannot tell whether they feel that it would be good if unemployment were to be reduced by 2 million, or whether they feel that it would be good even if unemployment were to grow by 2 million.

In my opinion, this is a rejection not only of the philosophy but also of the legal mandate of the Employment Act. It seems to me to be an avoidance of responsibility because national economic policies and programs are designed to achieve objectives, and no adequately concrete objective is stated by the Advisers.

Maximum production means a sufficient level of output and demand to be consistent with maximum employment. If maximum employment is not defined, maximum production cannot be defined either. And without defining maximum production, we cannot determine whether the current situation or the outlook for the months and year ahead is good or bad or indifferent. If we have maximum production now, a 4% growth in the economy during 1955 would be fairly good; but if we are \$20 or \$30 billion short of maximum production now, we need a much bigger growth to restore it.

The Council of Economic Advisers, in my opinion, seems to avoid the mandate of the Employment Act that needed levels of production be defined. From reading their materials, one can gather that they feel that the economy ought to grow in 1955, and that it will grow some. But this is far too vague to provide a sound basis for either a formulation or a critique of policies or programs. How much must we grow to absorb productivity? A growing labor force? Those now unemployed?

Only the rash would attempt precise answers to these questions. But no definition whatsoever of the needs reflects no analysis adequate to set forth problems or devise solutions.

Maximum purchasing power means, in the final analysis, a flow and dispersion of income among various sectors of the economy which will promote equilibrium at maximum levels of employment and production. The Council of Economic Advisers undertakes no general analysis of this problem—if they did, how could they possibly have ignored the whole problem of a declining Agriculture in a Report which purports to deal systematically and comprehensively with the current problems of the American economy? But this is not surprising: If the problems of maximum employment and production are avoided, there is no base upon which to analyze purchasing power needs. What trends in farm income are desirable? What supplements to consumer income, especially for low-income families, are within the range of sound policies and programs?

The Employment Act is, in the final analysis, a vehicle for the prudent and sensible development of consistent national economic policies and programs. But the ultimate purpose of such policies and programs, manifestly, is to promote the utilization of our labor force and other resources in ways which avoid excess waste of manpower and excess waste of opportunity for enjoying maximum output. It would seem obvious beyond the need for argumentation that no systematic formulation or evaluation of such policies and programs can have any sound point of departure, unless that point be a definition of what quantities of employment and production connote maximum employment and production, and what allocations of purchasing power are consistent with maximum employment and production.

The importance of defining these needed levels, as explicitly required by the Employment Act, may quickly be grasped by a reading of the Economic Report. The Economic Advisers have prepared for the President a thoroughly competent collection of historical data on recent economic trends. But a reading of the Report, because it does not define needed levels, reveals no discussion of crucial issues such as these:

How are trends in productivity shaping the size of the task of maintaining maximum employment and production? How are changes in the composition of national income shaping the problem of maintaining maximum purchasing power? Are we progressing or not progressing, measured not against the levels of 6 months or a year ago, but measured against the changing levels required for a maximum economy? What are the implications if the current deficits in output and demand increase, and these deficits may increase even if the economy grows but does not grow enough.

The Economic Advisers make a few forecasts, surrounded by many hedges. But the Employment Act did not set up a forecasting agency. It set up a national economic policy coordinating body, with forecasting to be used mainly as one tool for the formulation of policy. To be sure, there are a number of random policies and programs set forth in the Economic Report. But they do not stem from the economic analysis, because the analysis does not define needs.

Under the circumstances, although I believe that the meaning of the Employment Act is unmistakably clear, I feel that the Joint Committee might consider advising the Advisers to carry forward the responsibilities which the Act imposes upon them.

I believe that the Employment Act requires that needed levels of employment, production, and purchasing power be defined at least for the full year in which the January Economic Report of the President is submitted. They should now be defined for at least 1955. For certain long-range programs, and as a further guide to our problems of economic adjustment, it is desirable to project some needed levels for several years ahead—say to 1960. But such projections are of little value unless they are used to shed light upon immediate problems, needs, policies, and programs. If a happy portrayal of what we might accomplish by 1960 is used as a substitute for a clear definition of what we should begin doing now, the happy portrayal becomes a mere distraction, and to that extent is injurious.

QUESTION 4

What are the implications of recent trends and present indications for employment, unemployment, hours of work, productivity, total production, private investment, levels of consumption, government demand for goods and services, and savings for the coming year?

I do not believe that the rate of economic upturn in gross national product and in the industrial production index during the fourth quarter of 1954 can be maintained throughout 1955. Nor do other observers. This upturn was predicated largely upon a rapid fourth quarter expansion of automobile production, with impact upon steel and other industries. On page 24 of the Economic Report, the tentative forecasts made by the Economic Advisers with respect to investment, consumption, and government spending, even if achieved in actuality, do not add up to anything like sustained expansion of these indices at the fourth quarter 1954 rate.

An assumption that, with luck, the economy in 1955 as a whole might have a total output 3% above the 1954 level would seem to me a fairly optimistic assumption—and certainly no more pessimistic than what one can derive from reading the Economic Report. I believe that we might, under existing policies and programs, register a 3% higher level of total output, at least in the first half of 1955, than in 1954 as a whole.

But those who take comfort in what would result from this rate of expansion, have, like the Economic Advisers, made no estimates whatsoever of the amount of expansion required to absorb excess unemployment, absorb new entries into the labor force, absorb those who have been kept out of the labor force by recessionary conditions, absorb the growth in productivity which is certain under current technological trends if the economy advances; and, in addition to all this, restore a product mix in the use of the labor force more healthful and less wasteful than that which now exists.

If the level of total output in 1955 should be 3% above 1954, that would not be nearly enough expansion to meet these problems. An expansion in these proportions would result in an increase in hard-core unemployment. An expansion of only 3% would mean that the level of true unemployment for 1955 as a whole might average around 6½ million, contrasted with slightly above 4 million in 1954. The level of full-time Census Bureau unemployment might be considerably lower than 6½ million, due to forced reductions of hours of work to share unemployment, temporary layoffs, etc. This level of unemployment would be complicated by further pressing of the labor force into relatively less productive areas where more workers cannot be efficiently used under general economic conditions far short of maximum employment and production.

The Budgetary intentions of the Federal Government, as now announced, combined with the basic weaknesses in the consumer income structure, the continuing deterioration of agriculture's position, and the high improbability that the downward trend of fundamental business investment will be reversed under these combinations of circumstances, would seem to offer little prospect that the economy as a whole will average sufficient growth in 1955 to prevent the gradual accumulation of hard-core unemployment.

All this can be changed by appropriate policies and programs. But these kinds of programs and policies seem to me to require a much more basic economic analysis and a much firmer adherence to the need — defining requirements of the Employment Act—than the Advisers under the Act have thus far displayed.

To restore maximum employment and production by the end of 1955, the level of total output for 1955 as a whole needs to be in the neighborhood of \$378 billion, or about 6% above the \$357 billion level for 1954 as a whole. Total output would need to reach an annual rate of about \$390 billion in the fourth quarter of 1955, or more than 8% above the \$361 billion level in the fourth quarter of 1954.

Unemployed manpower and other idle resources are a progressive threat to our economy if their realities are ignored. But unemployed manpower and other unused resources are an enormous potential asset, because they give us the power, if brought back into use, to enlarge our economic strength, and thus without excessive strain to place a large enough offering upon the altar of freedom. The fact that we could now produce at an annual rate \$30 billion higher than we are now producing, and can raise this much further in the year ahead, makes it unconscionable in the face of the rising communist threat to let any of our fields lie bare. This is the challenge of the Employment Act; and it is as important or more important now than ever before to rise to the challenge and not to evade it.

Join Coffin & Burr

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Philip B. Anderson, Timothy G. Holden, Henry L. Johnson, Jr., John J. Magee, Harold B. Needham and John H. Wall, Jr., have joined the staff of Coffin & Burr Incorporated, 60 State Street, members of the Boston Stock Exchange. All were previously with Vance, Sanders & Company.

With Louis A. Love

(Special to THE FINANCIAL CHRONICLE)

MENLO PARK, Calif. — S. E. Robb has joined the staff of Louis A. Love Co.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Mar. 6	§90.0	*90.8	85.8	70.7
Equivalent to—					
Steel ingots and castings (net tons)	Mar. 6	§2,172,000	*2,191,000	2,070,000	1,686,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Feb. 18	6,767,300	6,719,350	6,694,700	6,314,750
Crude runs to stills—daily average (bbls.)	Feb. 18	¶7,511,000	7,384,000	7,179,000	7,156,000
Gasoline output (bbls.)	Feb. 18	24,404,000	25,208,000	24,464,000	23,998,000
Kerosene output (bbls.)	Feb. 18	2,543,000	2,608,000	2,622,000	2,966,000
Distillate fuel oil output (bbls.)	Feb. 18	12,640,000	12,561,000	12,256,000	10,935,000
Residual fuel oil output (bbls.)	Feb. 18	8,925,000	8,663,000	8,141,000	8,573,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Feb. 18	176,877,000	174,203,000	166,285,000	175,497,000
Kerosene (bbls.) at	Feb. 18	20,170,000	21,438,000	26,118,000	19,032,000
Distillate fuel oil (bbls.) at	Feb. 18	71,019,000	76,158,000	95,870,000	69,187,000
Residual fuel oil (bbls.) at	Feb. 18	46,710,000	46,689,000	49,931,000	46,215,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Feb. 19	655,035	643,859	635,653	618,623
Revenue freight received from connections (no. of cars)	Feb. 19	632,567	621,788	610,906	602,299
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Feb. 24	$312,218,000	$193,862,000	$258,481,000	$225,724,000
Private construction	Feb. 24	207,823,000	130,168,000	160,389,000	115,113,000
Public construction	Feb. 24	104,395,000	63,694,000	98,092,000	110,611,000
State and municipal	Feb. 24	78,292,000	42,901,000	70,720,000	78,683,000
Federal	Feb. 24	26,103,000	20,793,000	27,372,000	31,928,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Feb. 19	8,885,000	8,690,000	8,540,000	7,245,000
Pennsylvania anthracite (tons)	Feb. 19	598,000	654,000	597,000	583,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Feb. 19	90	*92	95	86
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Feb. 26	9,725,000	9,912,000	10,003,000	8,396,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Feb. 24	178	205	255	204
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Feb. 22	4.797c	4.797c	4.797c	4.634c
Pig iron (per gross ton)	Feb. 22	$56.59	$56.59	$56.59	$56.59
Scrap steel (per gross ton)	Feb. 22	$37.00	$36.33	$35.50	$24.33
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Feb. 23	32.700c	32.700c	29.700c	29.675c
Export refinery at	Feb. 23	36.250c	36.100c	32.775c	28.825c
Straits tin (New York) at	Feb. 23	91.250c	90.000c	86.875c	85.000c
Lead (New York) at	Feb. 23	15.000c	15.000c	15.000c	12.500c
Lead (St. Louis) at	Feb. 23	14.800c	14.800c	14.800c	12.300c
Zinc (East St. Louis) at	Feb. 23	11.500c	11.500c	11.500c	9.250c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Mar. 1	96.38	96.55	97.29	99.62
Average corporate	Mar. 1	109.42	109.42	109.97	109.60
Aaa	Mar. 1	112.56	112.93	113.89	114.85
Aa	Mar. 1	110.88	110.88	111.62	111.62
A	Mar. 1	109.79	109.97	110.15	103.24
Baa	Mar. 1	104.48	104.48	104.83	103.13
Railroad Group	Mar. 1	107.62	107.80	107.98	107.27
Public Utilities Group	Mar. 1	109.97	110.15	110.70	109.79
Industrials Group	Mar. 1	110.34	110.70	111.25	111.62
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Mar. 1	2.76	2.75	2.70	2.53
Average corporate	Mar. 1	3.20	3.20	3.17	3.19
Aaa	Mar. 1	3.03	3.01	2.96	2.91
Aa	Mar. 1	3.12	3.12	3.08	3.08
A	Mar. 1	3.18	3.17	3.16	3.21
Baa	Mar. 1	3.48	3.48	3.46	3.56
Railroad Group	Mar. 1	3.30	3.29	3.28	3.32
Public Utilities Group	Mar. 1	3.17	3.16	3.13	3.18
Industrials Group	Mar. 1	3.15	3.13	3.10	3.08
MOODY'S COMMODITY INDEX	Mar. 1	397.3	404.0	416.6	427.5
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Feb. 19	249,452	246,171	226,971	217,650
Production (tons)	Feb. 19	262,282	261,128	252,346	232,388
Percentage of activity	Feb. 19	95	95	93	89
Unfilled orders (tons) at end of period	Feb. 19	419,484	433,801	360,787	340,049
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Feb. 25	107.18	107.27	106.75	107.25
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)†—					
Number of shares	Feb. 12	1,644,715	1,700,303	1,772,913	1,035,184
Dollar value	Feb. 12	$84,358,655	$86,644,582	$86,516,910	$39,984,135
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Feb. 12	1,488,175	1,432,752	1,474,801	987,704
Customers' short sales	Feb. 12	9,051	7,916	6,021	6,894
Customers' other sales	Feb. 12	1,479,124	1,424,836	1,468,780	980,810
Dollar value	Feb. 12	$70,812,044	$67,746,797	$68,402,918	$36,894,623
Round-lot sales by dealers—					
Number of shares—Total sales	Feb. 12	376,080	367,340	368,980	294,440
Short sales	Feb. 12	------	------	------	------
Other sales	Feb. 12	376,080	367,340	368,980	294,440
Round-lot purchases by dealers—					
Number of shares	Feb. 12	552,910	616,068	632,740	280,820
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total Round-lot sales—					
Short sales	Feb. 5	728,590	677,590	616,950	409,910
Other sales	Feb. 5	16,459,410	16,794,760	23,458,400	8,856,440
Total sales	Feb. 5	17,188,000	17,472,350	24,075,350	9,266,350
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Feb. 5	1,909,780	2,130,770	3,355,750	964,860
Short sales	Feb. 5	396,330	346,860	350,620	201,680
Other sales	Feb. 5	1,615,250	1,905,020	2,844,230	751 420
Total sales	Feb. 5	2,011,580	2,251,880	3,194,850	953,100
Other transactions initiated on the floor—					
Total purchases	Feb. 5	388,250	547,540	868,160	246,040
Short sales	Feb. 5	46,900	38,300	28,820	18,900
Other sales	Feb. 5	348,470	557,270	860,000	218,840
Total sales	Feb. 5	395,370	595,570	888,820	237,740
Other transactions initiated off the floor—					
Total purchases	Feb. 5	619,250	690,535	914,792	344,887
Short sales	Feb. 5	139,395	101,130	74,730	54,520
Other sales	Feb. 5	748,525	764,465	977,270	383,607
Total sales	Feb. 5	887,920	865,595	1,052,000	438,127
Total round-lot transactions for account of members—					
Total purchases	Feb. 5	2,917,280	3,368,845	5,138,702	1,555,787
Short sales	Feb. 5	582,625	486,290	454,170	275,100
Other sales	Feb. 5	2,712,245	3,226,755	4,681,500	1,353,867
Total sales	Feb. 5	3,294,870	3,713,045	5,135,670	1,628,967
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Feb. 22	110.3	110.3	110.1	110.5
Farm products	Feb. 22	93.7	93.4	93.0	98.1
Processed foods	Feb. 22	103.2	103.2	103.7	105.2
Meats	Feb. 22	85.4	85.4	86.7	93.3
All commodities other than farm and foods	Feb. 22	115.4	115.4	115.2	114.3

*Revised figure. ¶Includes 763,000 barrels of foreign crude runs. §Based on new annual capacity of 125,828,310 tons as of Jan. 1, 1955, as against Jan. 1, 1954 basis of 124,330,410 tons.
†Number of orders not reported since introduction of Monthly Investment Plan.

	Latest Month	Previous Month	Year Ago
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC.—215 CITIES—Month of January:			
New England	$14,350,014	$21,503,579	$12,487,613
Middle Atlantic	93,469,598	68,040,491	69,966,639
South Atlantic	42,800,847	41,272,680	43,519,600
East Central	62,516,345	73,566,605	68,571,605
South Central	78,089,103	76,826,091	56,688,809
West Central	27,038,879	27,806,248	13,239,446
Mountain	18,521,497	17,840,717	12,454,065
Pacific	69,917,725	82,283,322	68,425,052
Total United States	$406,704,008	$409,139,733	$345,352,829
New York City	49,423,105	40,309,360	32,068,684
Outside New York City	357,280,903	368,830,373	313,284,145
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of January:			
Manufacturing number	195	204	192
Wholesale number	114	98	79
Retail number	456	413	450
Construction number	87	130	86
Commercial service number	87	72	60
Total number	939	917	867
Manufacturing liabilities	$11,636,000	$17,526,000	$11,431,000
Wholesale liabilities	4,391,000	6,285,000	3,238,000
Retail liabilities	9,647,000	8,509,000	8,623,000
Construction liabilities	9,044,000	5,926,000	3,166,000
Commercial service liabilities	3,154,000	1,857,000	3,134,000
Total liabilities	$37,872,000	$40,103,000	$29,592,000
BUSINESS INCORPORATION (NEW) IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of January	13,181	11,981	9,543
BUSINESS INVENTORIES — DEPT. OF COMMERCE NEW SERIES—Month of December (millions of dollars):			
Manufacturing	$43,835	$43,811	$46,722
Wholesale	11,508	*11,712	11,689
Retail	22,173	*22,130	22,661
Total	$77,516	*$77,653	$81,072
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—REVISED SERIES—Estimated short and intermediate term credit in millions as of Dec. 31:			
Total consumer credit	$30,125	$29,209	$29,537
Instalment credit	22,467	22,014	22,187
Automobile	10,396	10,296	10,341
Other consumer goods	5,668	5,398	5,831
Repair and modernization loans	1,616	1,631	1,649
Personal loans	4,787	4,689	4,366
Noninstalment credit	7,658	7,195	7,350
Single payment loans	2,420	2,407	2,219
Charge accounts	3,518	3,042	3,411
Service credit	1,720	1,746	1,720
DEPARTMENT STORE SALES—SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF N. Y. — 1947-1949 Average = 100—Month of January:			
Sales (average monthly), unadjusted	83	188	79
Sales (average daily), unadjusted	84	184	81
Sales (average daily), seasonally adjusted	106	105	101
Stocks, unadjusted	100	103	98
Stocks, seasonally adjusted	112	113	*110
MANUFACTURERS' INVENTORIES AND SALES (DEPT. OF COMMERCE) NEW SERIES—Month of December (millions of dollars):			
Inventories—			
Durables	$24,468	*$24,441	$26,752
Nondurables	19,367	*19,370	19,970
Total	$43,835	$43,811	$46,722
Sales	24,917	*24,361	24,126
MONEY IN CIRCULATION—TREASURY DEPT. As of Jan. 31 (000's omitted)	$29,788,000	*$30,509,000	$29,981,000
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE) — Month of December (in billions):			
Total personal income	$291.1	*$289.3	$287.0
Wage and salary, receiptts, total	197.4	*198.1	196.0
Commodity producing industries	84.3	*84.6	85.5
Distributing industries	52.9	53.0	52.1
Service industries	26.0	*26.2	25.0
Government	34.2	34.3	33.4
Less employee contributions for social insurance	4.7	4.7	4.1
Other labor income	6.6	6.6	6.7
Proprietors and rental income	48.9	*48.3	50.2
Personal interest income and dividends	26.2	*24.6	23.8
Total transfer payments	16.7	16.4	14.4
Total nonagricultural income	276.1	*274.6	269.6
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE—1910-14 = 100—As of Jan. 15:			
Unadjusted—			
All farm products	244	239	254
Crops	248	241	238
Food grain	241	239	230
Feed grain and hay	204	202	205
Tobacco	425	430	427
Cotton	275	276	260
Fruit	222	207	237
Truck crops	263	216	224
Oil-bearing crops	274	279	269
Livestock and products	240	237	269
Meat animals	263	257	285
Dairy products	258	264	282
Poultry eggs	163	156	218
U. S. GOVT. STATUTORY DEBT LIMITATION —As of Jan. 31 (000's omitted):			
Total face amount that may be outstanding at any time	$281,000,000	$281,000,000	$275,000,000
Outstanding—			
Total gross public debt	278,439,067	278,749,814	274,848,511
Guaranteed obligations not owned by the Treasury	23,806	33,942	75,097
Total gross public debt and guaranteed obligations	$278,462,873	$278,783,756	$274,923,609
Deduct—other outstanding public debt obligations not subject to debt limitation	514,078	527,857	561,209
Grand total outstanding	$277,948,794	$278,255,899	$274,362,399
Balance face amount of obligations, issuable under above authority	3,051,205	2,744,100	637,600

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

★ Admiral Homes, Inc., West Newton, Pa.
Feb. 18 (letter of notification) $114,900 of 6% class A 20-year convertible debentures to be offered to stockholders. **Price**—At par (in denominations of $100 each). **Proceeds**—For building and financing model homes and for working capital. **Office**—149 Water St., West Newton, Pa. **Underwriter**—None.

★ Aeco Corp., Reno, Nev.
Feb. 15 (letter of notification) 167,500 shares of capital stock (par 10 cents) to be offered for subscription by stockholders. **Price** — To range from 45 cents to 82½ cents per share. **Proceeds**—For additional production, development program and working capital. **Office** — Cheney Bldg., Reno, Nev. **Underwriter**—None.

★ Aelus Wing Co., Inc.
Feb. 21 (letter of notification) 150,000 shares of 7% cumulative participating preferred stock (par $1) and 150,000 shares of common stock (par $1) to be offered in units of five shares of each class of stock. **Price**—$10 per unit. **Proceeds**—For capital improvements and new development. **Office** — 505 Perry St., Trenton, N. J. **Underwriter**—None.

Allied Uranium Mines, Inc., Salt Lake City, Utah
Feb. 17 (letter of notification) 299,700 shares of common stock (par one cent). **Price** — $1 per share. **Proceeds**—For mining expenses. **Office**—701 Newhouse Bldg., Salt Lake City, Utah. **Underwriter**—H. J. Cooney & Co., New York.

● Allison Steel Manufacturing Co. (3/8)
Feb. 11 filed 100,000 shares of common stock (par $5) and 50,000 shares of 75-cent cumulative convertible preferred stock (par $10). **Price** — To be supplied by amendment. **Proceeds**—To purchase certain assets of Allison Steel Mfg. Co., machinery, tools and equipment, and for working capital and other corporate purposes. **Office** — Phoenix, Ariz. **Underwriter** — Lee Higginson Corp., Chicago, Ill.

Amcrete Corp., Briarcliff, N. Y.
Dec. 6 (letter of notification) 7,500 shares of 6% participating preferred stock. **Price** — At par ($10 per share). **Proceeds**—For working capital. **Business**—Distributor of prefabricated concrete wall panels and buttresses made of steel reinforced dense concrete, etc. **Underwriter**—None.

● American Automobile Insurance Co. (3/8)
Feb. 16 filed 250,000 shares of capital stock (par $2) to be offered for subscription by stockholders at the rate of one new share for each six shares held about March 8; rights to expire March 24. Unsubscribed stock, up to 15,000 shares, will be offered to employees. **Price**—To be supplied by amendment. **Proceeds**—To provide company and its wholly-owned subsidiaries, American Automobile Fire Insurance Co. and Associated Indemnity Corp., with additional capital funds. **Underwriter**—Kidder, Peabody & Co., New York.

American Beauty Homes, Inc., Houston, Tex.
Jan. 20 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For prefabrication and assembly of homes. **Office**—10509 South Main St., Houston, Tex. **Underwriters** — Hunter Securities Corp., New York, and Continental Securities Corp., Houston, Tex.

American Duchess Uranium & Oil Co.
Dec. 9 (letter of notification) 1,500,000 shares of common stock (par five cents). **Price**—20 cents per share. **Proceeds**—For uranium and oil activities. **Office**—Judge Bldg., Salt Lake City, Utah. **Underwriter**—Northern Securities, Inc., Seattle, Wash.

★ American International Minerals Corp., Dover, Del.
Feb. 25 filed 460,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For exploration and development of mining properties of subsidiary and for working capital, etc. **Underwriter**—Vickers Bros., New York. **Offering**—Expected in about six weeks.

American Potash & Chemical Corp. (3/8-9)
Feb. 16 filed $7,000,000 of convertible subordinated debentures due March 1, 1970. **Price**—To be supplied by amendment. **Proceeds** — To reduce bank loans and for expansion and working capital. **Underwriters**—Lehman Brothers and Glore, Forgan & Co., both of New York.

Anticline Uranium, Inc., San Francisco, Calif.
Oct. 28 (letter of notification) 2,970,000 shares of class A capital stock. **Price**—At par (10 cents per share). **Proceeds**—For exploration and development expenses. **Office**—995 Market St., San Francisco, Calif. **Underwriter**—Coombs & Co., of Los Angeles, Inc., Los Angeles, Calif.

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Arctic Uranium Mines Ltd.
Oct. 28 (Regulation "D") 1,500,000 shares of common stock (no par value). **Price**—20 cents per share. **Proceeds**—For general corporate purposes. **Office** — 411 Childs Bldg., Winnipeg, Manitoba, Canada. **Underwriter**—De Gaetano Securities Corp., New York.

Associated Food Stores, Inc.,
Feb. 18 filed 400,000 shares of capital stock (par $1). **Price**—$5 per share. **Proceeds** — For general corporate purposes, including carrying of larger inventories and for working capital. **Office** — Jamaica, L. I., N. Y. **Underwriter**—To be named by amendment (probably Aetna Securities Corp., New York).

Atlantic City Electric Co. (3/9)
Feb. 4 filed $10,000,000 of first mortgage bonds due March 1, 1985. **Proceeds**—To retire bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); Union Securities Corp.; White, Weld & Co.; Equitable Securities Corp.; Blair & Co. Incorporated; The First Boston Corp. and Drexel & Co. (jointly); Lehman Brothers; Salomon Bros. & Hutzler; Merrill Lynch, Pierce, Fenner & Beane. **Bids**—To be received up to 11 a.m. (EST) on March 9 at Irving Trust Co., New York.

★ Atlantic Steel Co., Atlanta, Ga. (3/22)
Feb. 25 filed 200,000 shares of common stock (par $5) to be offered first to stockholders of record Feb. 25, 1955, on the basis of one new share for each share of common and/or preferred stock held. **Price**—$23.50 per share. **Proceeds**—To repay bank loans, for property additions and working capital. **Underwriter**—Courts & Co., Atlanta, Ga.

Automatic Remote Systems, Inc., Baltimore
Aug. 4 filed 620,000 shares of common stock (par 50 cents), of which 540,000 shares are to be offered to public and 80,000 shares to be issued to underwriter. **Price**—$3.75 per share. **Proceeds**—For manufacture of Telebet units and Teleac systems and additions to working capital. **Underwriter**—Mitchell Securities, Inc., Baltimore, Md.

★ Baldwin-Hill Co., Trenton, N. J.
Feb. 15 (letter of notification) 2,000 shares of common stock. **Price**—At market (around $10.50 and $10.75 per share). **Underwriter**—Estabrook & Co., New York, who is the selling stockholder.

● Barry Controls Inc., Watertown, Mass. (3/4-7)
Feb. 11 filed 100,000 shares of common stock (par $1), of which 50,000 shares are for the account of the company and 50,000 shares for selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—To discharge mortgage indebtedness; to restore funds used in recent purchase of adjoining land; for working capital and other general corporate purposes. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston and New York.

★ Beneficial Standard Life Insurance Co. (3/22)
Feb. 28 filed 480,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Office**—Los Angeles, Calif. **Underwriter**—Lehman Brothers, New York.

★ Benson Aircraft Corp., Raleigh, N. C.
Feb. 18 (letter of notification) 55,725 shares of class A common stock (par $1) and 112,225 shares of class B common stock (par $1) to be offered in units of 33 shares of class A and 67 shares of class B stock. **Price**—$125 per unit. **Proceeds**—For equipment and working capital. **Underwriter**—None.

Best American Life Insurance Co., Mesa, Ariz.
Feb. 11 filed 800,000 shares of class A common stock (par $1) to be offered to present and future holders of its life insurance policies with stock purchase rights; 75,000 shares of class B common stock (par $1) to be offered to present and future life insurance salesmen, district managers and state managers; and 455,208 double option coupons with and attached to policies of whole life insurance, to be offered to the general public. **Proceeds**—To build up capital and surplus of company to permit to qualify as a full legal reserve company and expand into other states. **Underwriter**—None. Richard G. Johnson of Mesa, Ariz., is President.

Big Bend Uranium Co., Salt Lake City, Utah
Aug. 6 (letter of notification) 7,000,000 shares of common stock. **Price**—At par (three cents per share). **Proceeds**—For mining expenses. **Office**—510 Newhouse Building, Salt Lake City, Utah. **Underwriter** — Call-Smoot Co., Phillips Building, same city.

Big Indian Uranium Corp., Provo, Utah
July 15 (letter of notification) 500,000 shares of common stock (par 10 cents). **Price** —25 cents per share. **Proceeds**—For mining operations. **Address**—Box 77, Provo, Utah. **Underwriter**—Weber Investment Co., 242 N. University Ave., Provo, Utah.

Bikini Uranium Corp., Denver, Colo.
Oct. 15 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For exploration and development costs. **Office** — 705 First National Bank Bldg., Denver, Colo. **Underwriter**—I. J. Schenin Co., New York.

Bishop Oil Co., San Francisco, Calif. (3/16)
Feb. 21 filed 153,236 shares of common stock (par $2) to be offered for subscription by stockholders of record March 14, 1955, on the basis of two new shares for each five shares held; rights to expire on March 30. **Price**—To be filed by amendment. **Proceeds** — To retire bank loan and to advance funds to Canadian Bishop Oil, Ltd., wholly-owned subsidiary. **Underwriter**—Hooker & Fay, San Francisco, Calif.

Blue Canyon Uranium, Inc.
Nov. 29 (letter of notification) 6,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For mining activities. **Offices** — 1003 Continental Bank Bldg., Salt Lake City, Utah, and 618 Rood Ave., Grand Junction, Colo. **Underwriter** — James E. Reed Co., Reno, Nev.

Blue Jay Uranium Corp., Elko, Nev.
Oct. 15 (letter of notification) 1,000,000 shares of common stock. **Price**—25 cents per share. **Proceeds**—For exploration and development costs. **Office**—402 Henderson Bank Bldg., Elko, Nev. **Underwriter**—Security Uranium Service, Inc., Moab and Provo, Utah.

California Tuna Fleet, Inc.
Feb. 15 filed (amendment) $500,000 of 6% sinking fund debentures due 1967 and 50,000 shares of common stock (par $1) to be offered in units of a $1,000 debenture and 100 shares of stock. **Price**—Expected at $1,100 per unit. **Proceeds**—For expansion and working capital. **Office**—San Diego, Calif. **Underwriter**—Barrett Herrick & Co., Inc., New York. **Offering**—May be effected in March.

★ Calunite Corp., New York
Feb. 14 (letter of notification) 71,968 shares of common stock (par $1.75), of which 63,968 shares are to be offered in payment of loans. **Price**—For remaining 8,000 shares, $6.25 each. **Proceeds**—For working capital. **Office**—9 Rockefeller Plaza, New York 20, N. Y. **Underwriter**—None.

★ Canadian Fund, Inc., New York
Feb. 28 filed (by amendment) 300,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment.

● Canadian Petrofina, Ltd.
Dec. 20 filed 1,751,428 shares of non-cumulative participating preferred stock (par $10—Canadian) being offered in exchange for shares of capital stock of Calvan Consolidated Oil & Gas Co., Ltd. at the rate of six preferred shares for each 17 Calvan shares. The offer is contingent to acceptance by not less than 51% of the outstanding Calvan stock and will expire on March 12, unless extended. **Underwriter**—None. Statement effective Jan. 21.

Carnotite Development Corp.
Oct. 26 (letter of notification) 16,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For exploration and development expenses. **Office**—317 Main St., Grand Junction, Colo. **Underwriter**—Western Securities Corp., Salt Lake City, Utah.

★ Catalin Corp. of America (3/15)
Feb. 23 filed 50,000 shares of $1.20 convertible preferred stock. **Price**—At par ($20 per share). **Proceeds**—For working capital and plant expansion. **Underwriter**—Fulton, Reid & Co., Cleveland, Ohio.

● Chesapeake & Colorado Uranium Corp. (3/14)
Dec. 7 filed 750,000 shares of common stock (par five cents). **Price**—$1 per share. **Proceeds**—For exploration and development program. **Office** — Washington, D. C. **Underwriter**—Peter Morgan & Co., New York.

Civic Finance Corp. of Wisconsin
Feb. 10 (letter of notification) 12,000 shares of 5.60% cumulative preferred stock. **Price** — At par ($25 per share). **Proceeds** — To repurchase existing preferred stock and for working capital. **Office**—633 North Water St., Milwaukee, Wis. **Underwriters**—Emch & Co., and The Marshall Co., same city.

Colorado Plateau Uranium Co.
Dec. 1 (letter of notification) 1,900,000 shares of common stock (par one cent). **Price**—15 cents per share. **Proceeds**—For mining activities. **Office** — 824 Equitable Bldg., Denver 2, Colo. **Underwriter**—John L. Donahue, 430 16th St., Denver, Colo.

Consol. Edison Co. of New York, Inc.
April 7, 1954, filed $50,000,000 first and refunding mortgage bonds, series K, due May 1, 1984. **Proceeds**—To be applied towards cost of redeeming $27,982,000 New York Steam Corp. first mortgage bonds and $25,000,000 Westchester Lighting Co. general mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders; Halsey, Stuart & Co. Inc.; Morgan, Stanley & Co.; The First Boston Corp. **Offering**—Originally set for May 11, but has been postponed because of market conditions. No new date set.

Consolidated Fenimore Iron Mines Ltd.
Jan. 24 filed 204,586 shares of common stock (par $7), to be offered for subscription by common stockholders of record Feb. 7, 1955 at the rate of one new share for each five shares held. **Price**—$2.20 per share. **Proceeds**—From sale of this stock, plus $440,000 to be available from sale of 200,000 shares to Alator Corp. Ltd. and Yam Securities Ltd., and $175,000 treasury funds, to be used to pay for geological surveys and metallurgical research, for drilling expenses and other general corporate purposes. **Office**—Toronto, Canada. **Underwriter**—None.

Consolidated Sudbury Basin Mines, Ltd., Toronto, Canada
Jan. 31 filed 3,000,000 shares of common stock (no par). **Price**—To be supplied by amendment. **Proceeds**—For exploration and development of properties. **Underwriter**—Stock to be sold on Toronto Stock Exchange or through underwriters or selected dealers in United States.

Contact Uranium, Mines, Inc., N. Y.
Dec. 7 (letter of notification) 500,000 shares of common stock (par one cent). **Price—**10 cents per share. **Proceeds**—For mining expenses. **Office**—100 West 42nd St., New York. **Underwriter**—Justin Steppler, Inc., New York.

Continental Electric Equipment Co.
Jan. 28 (letter of notification) 8,645 shares of common stock (no par) to be offered for subscription by stockholders of record March 1, 1955 on the basis of one new share for each five shares held; rights to expire on April 15. **Price** — $18.75 per share. **Proceeds** — For working capital. **Office** — 1 Green Hills Place, Cincinnati, O. **Underwriter**—None.

Crampton Manufacturing Co.
Feb. 8 filed 150,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For expansion and working capital. **Underwriter** — Baker, Simonds & Co., Detroit, Mich. **Offering**—Expected today (March 3).

Cuba (Republic of)
Jan. 7 filed $2,500,000 of Veterans, Courts and Public Works 4% bonds due 1983. **Price**—To be supplied by amendment. **Proceeds** — To Romenpower Electra Construction Co., which received the bonds in payment for work preformed for the Republic or one of more of its agencies. **Underwriters**—To be named by amendment.

Dean & Co., San Antonio, Texas
Feb. 10 (letter of notification) $150,000 of 5% sinking fund debentures, second series, due Feb. 1, 1965. **Price** —At par (in denominations of $1,000 each). **Proceeds** —To finance new business, including loans on automobiles, etc. **Office**—800 Broadway, San Antonio, Texas. **Underwriter**—The First Trust Co. of Lincoln, Neb.

Desert Queen Uranium Co., Salt Lake City, Utah
Jan. 26 (letter of notification) 259,500 shares of common stock (par two cents). **Price**—$1 per share. **Proceeds**—for mining operations. **Office**—506 Judge Building, Salt Lake City, Utah. **Underwriter** — Selected Securities Ltd., Los Vegas, Nev.

Desert Uranium Co., Salt Lake City, Utah
Oct. 18 (letter of notification) 2,000,000 shares of common stock **Price**—At par (15 cents per share). **Proceeds** —For exploration and development expenses. **Office**—524 Atlas Bldg., Salt Lake City, Utah. **Underwriter**—Van Blerkom & Co., same city.

Diamond Uranium Corp., Moab, Utah
Jan. 20 (letter of notification) 3,500,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For mining expenses. **Office**—M. I. C. Bldg., Moab, Utah. **Underwriter**—Security Uranium Service, Inc., K. O. V. O. Bldg., P. O. Box 77, Provo, Utah.

★ **Dow Theory Investment Fund, Inc., Chicago, Ill.**
Feb. 28 filed 200,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment.

East Tennessee Water Corp.
Dec. 20 (letter of notification) $160,000 of first mortgage 6% bonds dated Dec. 1, 1954. **Price** — At par (in denominations of $1,000 each). **Proceeds**—For purchase of real estate, capital improvements and contingencies. **Office**—306 E. Main St., Johnson City, Tenn. **Underwriter** —D. T. McKee Investment Co., Box 904, Bristol, Va.

East Texas Loan & Investment Co.
Jan. 20 (letter of notification) 25,000 shares of common stock (no par). **Price** — $10 per share. **Proceeds**—For working capital. **Office**—203 East Cotton St., Longview, Tex. **Underwriter**—D. G. Carter Investment Co., same address.

Electronics Co. of Ireland
Jan. 6 filed 300,000 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—For machinery and building and working capital. **Office** — 407 Liberty Trust Bldg., Philadelphia, Pa. **Underwriter**—None.

Electronics Investment Corp., San Diego, Calif.
Dec. 14 filed 2,000,000 shares of capital stock (par $1). **Price**—$5 per share. **Proceeds**—For investment.

★ **Electronized Chemicals Corp. (3/7)**
Feb. 17 (letter of notification) 24,000 shares of common stock (par $3). **Price**—$8.25 per share. **Proceeds**—For general corporate purposes. **Office**—846 Lefferts Ave., Brooklyn 3, N. Y. **Underwriter**—John C. Legg & Co., New York.

Eula Belle Uranium, Inc.
Oct. 18 (letter of notification) 5,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For exploration and development expenses. **Office**—506 First Security Bank Bldg., Salt Lake City, Utah. **Underwriter**—Utah Securities Co., same city.

Financial Credit Corp., New York
Jan. 29, 1954 filed 250,000 shares of 7% cumulative sinking fund preferred stock. **Price**—At par ($2 per share). **Proceeds** — For working caiptal. **Underwriter** — E. J. Fountain & Co., Inc., New York.

● **First Bank Stock Corp.**
Feb. 4 filed 361,922 shares of capital stock (par $10) being offered for subscription by stockholders of record Feb. 24, 1955 at the rate of one new share for each eight shares held; rights to expire March 14. **Price**—$31.50 per share. **Proceeds**—For investments in stocks of banking affiliates. **Underwriter**—Blyth & Co., Inc., New York, and San Francisco.

★ **Flo-Mix Fertilizers Corp., Houma, La.**
Feb. 14 filed 585,000 shares of common stock (par 10 cents). **Price**—$5 per share. **Proceeds**—To buy equipment and for working capital. **Underwriter** — Tschirn Investment Co., Delta Bldg., New Orleans, La.

Fort Vancouver Plywood Co., Vancouver, Wash.
Feb. 21 filed 397 shares of common stock. **Price**—At par ($4,500 per share). **Proceeds** — For down payment on purchase price of mill facilities and for other expenses. **Underwriter**—John C. O'Brien, one of the promoters.

Frio Frozen Foods, Inc., Anthony, Texas
Jan. 25 (letter of notification) 20,000 shares of common stock (no par). **Price**—$5 per share. **Proceeds**—For construction of plant and refrigeration. **Address**—Box 306, Anthony, Tex. **Underwriter**—Norman D. Patterson, Jr., El Paso, Tex.

Gem Uranium & Oil Co., Salt Lake City, Utah
Dec. 9 (letter of notification) 11,000,000 shares of capital stock (par one cent). **Price**—Two cents per share. **Proceeds**—For exploration and development of oil and uranium properties. **Office** — 414 Judge Bldg., Salt Lake City, Utah. **Underwriter**—Utah Uranium Brokers, same city.

General Homes, Inc.
Dec. 15 filed 300,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For plant expansion, new equipment, inventory and working capital. **Office**—Huntington Station, L. I., N. Y. **Underwriter**—S. D. Fuller & Co., New York.

General Motors Corp., Detroit, Mich.
Jan. 20 filed 4,380,683 shares of common stock (par $5) being offered for subscription by common stockholders of record Feb. 8 at the rate of one new share for each 20 shares held; rights to expire on March 7. **Price**—$75 per share. **Proceeds** — For capital expenditures and working capital **Subscription Agents**—J. P. Morgan & Co. Incorporated, New York, N. Y.; National Bank of Detroit, Detroit, Mich.; Continental Illinois National Bank & Trust Co., Chicago, Ill.; and Bank of America N. T. & S. A., San Francisco and Los Angeles, Calif. **Underwriter**—Morgan Stanley & Co., New York.

● **General Tire & Rubber Co., Akron, Ohio (3/9)**
Feb. 16 filed 100,000 shares of cumulative convertible preference stock (par $100). **Price**—To be supplied by amendment. **Proceeds** — To reduce bank loans and for working capital. **Underwriter**—Kidder, Peabody & Co., New York.

General Uranium Corp., Salt Lake City, Utah
Oct. 27 (letter of notification) 1,200,000 shares of common stock. **Price**—At par (25 cents per share). **Proceeds**—For development and exploration expenses. **Office**—404 Boston Building, Salt Lake City, Utah. **Underwriter**—P. G. Christopulos & Co., same city.

● **Glatfelter (P. H.) Co., Spring Grove, Pa.**
Feb. 9 filed 125,000 shares of common stock (par $10) being offered for subscription by common stockholders of record March 1, 1955 on the basis of one new share for each 1.76 shares then held; rights to expire on March 16. **Price** — $37 per share. **Proceeds** — Together with other funds, to be used for expansion program. **Underwriter**—The First Boston Corp., New York.

Globe Metallurgical Corp.
Jan. 18 filed 147,500 shares of common stock (par $5), of which 30,000 shares are to be offered to a group composed largely of stockholders of Globe Iron Co, the parent, and 117,500 shares are to be offered to public. **Price** — $10 per share. **Proceeds** — For capital improvements and working capital. **Office**—Beverly, Ohio. **Underwriter**—McDonald & Co., Cleveland, Ohio. **Offering**—Temporarily postponed.

Continued on page 54

NEW ISSUE CALENDAR

March 4 (Friday)

Barry Controls, Inc. ____ Common
(Paine, Webber, Jackson & Curtis) 100,000 shares

Texas Hydro Electric Corp. ____ Common
(Offering to stockholders—underwritten by Creston H. Funk & Co.) $131,600

Texas Power Corp. ____ Common
(Offering to stockholders—underwritten by Creston H. Funk & Co.) $114,400

March 7 (Monday)

Electronized Chemicals Corp. ____ Common
(John C. Legg & Co.) $198,000

March 8 (Tuesday)

Allison Steel Manufacturing Co. ____ Preferred
(Lee Higginson Corp.) $500,000

Allison Steel Manufacturing Co. ____ Common
(Lee Higginson Corp.) 100,000 Shares

American Automobile Insurance Co. ____ Common
(Offering to stockholders—underwritten by Kidder, Peabody & Co.) 250,000 shares

American Potash & Chemical Corp. ____ Debentures
(Lehman Brothers and Glore, Forgan & Co.) $7,000,000

Harris-Seybold Co. ____ Common
(Kidder, Peabody & Co. and McDonald & Co.) 125,000 shs.

North American Television Productions, Inc. ____ Common
(Milton D. Blauner & Co. Inc. and Baruch Brothers & Co., Inc.) $300,000

Washington Gas Light Co. ____ Common
(Offering to stockholders—underwritten by The First Boston Corp. and Johnston, Lemon & Co.) 126,349 shares

March 9 (Wednesday)

Atlantic City Electric Co. ____ Bonds
(Bids 11 a.m. EST) $10,000,000

Central of Georgia Ry. ____ Equip. Trust Cfts.
(Bids noon EST) $930,000

General Tire & Rubber Co. ____ Preference
(Kidder, Peabody & Co.) $10,000,000

Minnesota & Ontario Paper Co. ____ Debentures
(Blyth & Co., Inc. and Alex. Brown & Sons) $14,000,000

March 10 (Thursday)

Justheim Petroleum Co. ____ Common
(Hunter Securities Corp.) $265,000

Petroleum Reserves, Inc. ____ Debentures and Stock
(Smith, Barney & Co.) 10,000 units

March 14 (Monday)

Chesapeake & Colorado Uranium Corp. ____ Common
(Peter Morgan & Co.) $750,000

Holly Uranium Corp. ____ Common
(Barrett Herrick & Co., Inc. and Franklin, Meyer & Barnett) $3,150,000

Pacific Finance Corp. ____ Debentures
(Blyth & Co., Inc. and Hornblower & Weeks) $14,000,000

March 15 (Tuesday)

Catalin Corp. ____ Preferred
(Fulton, Reid & Co.) $1,000,000

Kansas Gas & Electric Co. ____ Bonds
(Bids 11 a.m. EST) $10,000,000

Kansas Gas & Electric Co. ____ Preferred
(Bids 11 a.m. EST) $6,000,000

Southern Nevada Power Co. ____ Preferred
(Hornblower & Weeks; William R. Staats & Co.; and First California Co.) $1,500,000

Southern Union Oils, Ltd. ____ Common
(Willis E. Burnside & Co., Inc.) 1,211,002 shares

Sun Hotel, Inc. ____ Preferred & Common
(Coombs & Co.) $6,800,000

White Canyon Mining Co. ____ Common
(Joseph McManus & Co. and A. P. Kibbe & Co. $3,000,000

March 16 (Wednesday)

Bishop Oil Co. ____ Common
(Offering to stockholders—to be underwritten) 153,236 shares

March 17 (Thursday)

Hanover Fire Insurance Co. ____ Common
(Offering to stockholders—underwritten by The First Boston Corp. and R. W. Pressprich & Co.) 100,000 shares

March 18 (Friday)

Oklahoma Gas & Electric Co. ____ Common
(Offering to stockholders—underwritten by Merrill Lynch, Pierce, Fenner & Beane) 331,643 shares

March 22 (Tuesday)

Atlantic Steel Co. ____ Common
(Courts & Co.) $4,700,000

Beneficial Standard Life Insurance Co. ____ Common
(Lehman Brothers) 450,000 shares

National Gypsum Co. ____ Common
(Offering to stockholders—underwritten by W. E. Hutton & Co. and Blyth & Co., Inc.) 464,325 shares

March 23 (Wednesday)

Harvard Brewing Co. ____ Common
(Bids 3.30 p.m. EST) 345,760 shares

Van Norman Co. ____ Common
(Offering to stockholders—underwritten by Paine, Webber, Jackson & Curtis) 124,667 shares

March 24 (Thursday)

Kin-Ark Oil Co. ____ Common
(Van Alstyne, Noel & Co.) $1,375,000

March 29 (Tuesday)

Collins Radio Co. ____ Preferred
(Kidder, Peabody & Co.) $10,600,000

March 30 (Wednesday)

Arkansas Power & Light Co. ____ Bonds
(Bids 11 a.m. EST) $18,000,000

Arkansas Power & Light Co. ____ Preferred
(Bids 11 a.m. EST) $9,350,000

April 1 (Friday)

Transcontinental Gas Pipe Line Corp. ____ Preferred
(White, Weld & Co. and Stone & Webster Securities Corp.) $15,000,000

April 14 (Thursday)

Savannah Electric & Power Co. ____ Common
(The First Boston Corp. and Stone & Webster Securities Corp.) 165,000 shares

April 15 (Friday)

Westpan Hydrocarbon Co. ____ Common
(May be Union Securities Corp.) 384,861 shares

May 2 (Monday)

Augusta Newspapers, Inc. ____ Preferred & Common
(Johnson, Lane, Space & Co.) $9,640,000

May 10 (Tuesday)

Georgia Power Co. ____ Bonds
(Bids 11 a.m. EST) $12,000,000

May 17 (Tuesday)

Ohio Edison Co. ____ Bonds
(Bids to be invited) $30,000,000

May 31 (Tuesday)

Alabama Power Co. ____ Bonds
(Bids 11 a.m. EST) $15,000,000

June 7 (Tuesday)

Virginia Electric & Power Co. ____ Bonds
(Bids to be invited) $25,000,000

Continued from page 53

★ Great Northern Life Insurance Co.
Feb. 16 (letter of notification) 50,000 shares of capital stock (par $1). **Price** — $6 per share. **Office** — 119 W. Rudisill Blvd., Fort Wayne, Ind. **Underwriter**—Northwestern Investment, Inc., 506 Gettle Bldg., same city.

★ Grolier Society, Inc., New York
Feb. 18 (letter of notification) 18,000 shares of common stock (par $1). Of this total, 13,500 shares are for account of company and 4,500 shares for selling stockholders. **Price**—$16.50 per share. **Proceeds**—For working capital. **Office** — 2 West 45th St., New York, N. Y. **Underwriters** — Dominick & Dominick, New York; George D. B. Bonbright & Co., Rochester, N. Y.; Ball Burge & Kraus, Cleveland, Ohio; and Foster & Marshall, Seattle, Wash.

★ Gulf Cities Gas Corp., St. Petersburg, Fla.
Feb. 15 (letter of notification) 31,500 shares of class A stock (par $1). **Price**—$7.75 per share. **Proceeds** — To repay notes and other obligations and for working capital. **Underwriter**—Eisele & King, Libaire, Stout & Co., New York.

Gulf States Utilities Co.
May 14, 1954 filed 160,800 shares of preferred stock (par $100). Proceeds—To redeem 50,000 shares of $4.50 dividend preferred stock, 60,000 shares of $4.40 dividend preferred stock, 1949 series, and 50,000 shares of $4.44 dividend preferred stock at the prevailing redemption prices of $105, $105, and $105.75, respectively. Underwriter—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Lehman Brothers and Equitable Securities Corp. (jointly); Kuhn, Loeb & Co.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly). Bids—Had tentatively been expected to be received up to 11:30 a.m. (EDT) on June 15 at The Hanover Bank, 70 Broadway, New York, N. Y., but offering has been postponed.

Gulf States Utilities Co.
May 14, 1954 filed $24,000,00 first mortgage bonds due June 1, 1984. Proceeds—To redeem $10,000,000 of 3⅜% first mortgage bonds due 1981 and $10,000,000 of 3⅜% first mortgage bonds due 1983, and for general corporate purposes. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Salomon Bros. & Hutzler and Union Securities Corp.; Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc. (jointly); Lee Higginson Corp. and Carl M. Loeb, Rhoades & Co. (jointly); Stone & Webster Securities Corp. Bids—Had tentatively been expected to be received up to 11 a.m. (EDT) on June 15 at The Hanover Bank, 70 Broadway, New York, N. Y., but offering has been postponed.

★ Hanover Fire Insurance Co. (3/17)
Feb. 24 filed 100,000 shares of capital stock (par $10) to be offered for subscription by stockholders of record March 16 at the rate of one new share for each four shares held; rights to expire on April 4. **Price**—To be supplied by amendment. **Proceeds**—To be added to the general funds of the company to enable it to expand its business, particularly in the writing of casualty and multiple-line policies. **Underwriters**—The First Boston Corp. and R. W. Pressprich & Co., both of New York.

Harris-Seybold Co., Cleveland, Ohio (3/8)
Feb. 16 filed 125,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds**—To finance expansion of business, and possible acquisitions. **Underwriters**—McDonald & Co., Cleveland, O., and Kidder, Peabody & Co., New York.

● Harvard Brewing Co., Lowell, Mass. (3/23)
Feb. 1 filed 345,760 shares of common stock (par $1), which the Attorney General, as successor to the Alien Property Custodian, is the owner and proposes to offer at competitive bidding. If any such bid is accepted, and if the successful bidder plans to distribute the shares, the company will file post-effective amendments to supply the requisite additional information. There are 625,000 shares outstanding. **Bids**—To be received by Office of Alien Property, Room 664, 101 Indiana Ave., N. W., Washington 25, D. C., up to 3:30 p.m. (EST) on March 23.

★ Historic Georgetown Inn, Washington, D. C.
Feb. 17 (letter of notification) $30,000 of 5% five year promissory notes. **Price**—At par (in denominations of $500 each). **Proceeds** — For restoration and remodeling of property. **Office** — 1700 I St., N. W., Washington, D. C. **Underwriter**—None.

★ Hobby & Brown Electronic Corp.
Feb. 24 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Proceeds** —To increase inventory and for working capital. **Office** —55 Front St., Rockville Centre, L. I., N. Y. **Underwriter** —W. Harry Young Co., Garden City, L. I., N. Y.

● Holly Uranium Corp., New York (3/14-18)
Feb. 10 filed 900,000 shares of common stock (par $1). **Price**—$3.50 per share. **Proceeds**—To exercise certain options on properties in Utah and New Mexico. **Underwriter**—Barrett Herrick & Co., Inc. and Franklin, Meyer & Barnett, both of New York.

Inland Western Loan & Finance Corp.
Feb. 17 filed 2,500,000 shares of class A non-voting common stock (par $1). **Price**—$1.25 per share. **Proceeds**—To be used as operating capital for its two subsidiaries, and to finance establishment and operation of additional loan and finance offices. **Office**—Phoenix, Ariz. **Underwriter**—None.

★ Institutional Income Fund, Inc., New York
Feb. 23 filed (by amendment) 800,000 additional shares of common stock (par one cent). **Price**—At market. **Proceeds**—For investment.

★ Investors Selective Fund, Inc., Minneapolis, Minn.
Feb. 28 filed (by amendment) 1,000,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment.

★ Israel Pecan Plantations, Ltd.
Feb. 28 filed 24,900 shares of ordinary common stock (par one Israeli pound). **Price**—$10 per share. **Proceeds** —For capital expenditures. **Underwriter**—None. **Offices** —Natanya, Israel, and New York, N. Y.

Jarmon Properties & Oil Development Corp.
Jan. 17 (letter of notification) 30,000 shares of captal stock. **Price**—At par ($10 per share). **Proceeds**—For further exploration and development. **Addres**—P. O. Box 1109, Wichita Falls, Tex. **Underwriter**—John A. Aicholtz & Associates, 505 Macon St., Fort Worth, Tex., and another.

★ Jones & Laughlin Steel Corp.
Feb. 28 filed 300,000 shares of common stock (par $10) to be offered for subscription by certain officers and other key employees of company under company's Stock Option Plan.

★ Joy Manufacturing Co.
Feb. 28 filed $20,000,000 of sinking fund debentures due 1975. **Price**—To be supplied by amendment. **Proceeds**—For expansion and working capital. **Underwriters**—Hallgarten & Co.; R. W. Pressprich & Co.; and Adamex Securities Corp., all of New York.

● Justheim Petroleum Co. (3/10)
Dec. 9 (letter of notification) 2,650,000 shares of common stock (par five cents). Price—10 cents per share. Proceeds — For oil and mining expenses. Office—318 Phillips Petroleum Bldg., Salt Lake City, Utah. Underwriter—Hunter Securities Corp., New York.

Kansas Gas & Electric Co. (3/15)
Feb. 11 filed $10,000,000 of first mortgage bonds due 1985. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co. and Goldman Sachs & Co. (jointly); Blyth & Co., Inc. and The First Boston Corp. (jointly); Union Securities Corp. and Stone & Webster Securities Corp. (jointly); **Lehman Brothers and Bear, Stearns & Co.** (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly). **Bids**—Expected to be received up to 11 a.m. (EST) on March 15, at Two Rector St., New York 6, N. Y.

Kansas Gas & Electric Co. (3/15)
Feb. 11 filed 60,000 shares of cumulative preferred stock (par $100). **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Lehman Brothers; Blyth & Co. Inc.; Union Securities Corp.; White, Weld & Co. and Shields & Co. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly). To be received up to 11 a.m. (EST) on March 15, at Two Rector St., New York 6, N. Y.

★ Kin-Ark Oil Co., El Dorado, Ark. (3/24-31)
Feb. 24 filed 500,000 shares of common stock (par 10 cents). **Price** — $2.75 per share. **Proceeds** — To repay $279,000 mortgage indebtedness and $45,500 outstanding notes; to pay $70,000 outstanding accounts payable, and for drilling of 14 additional wells and working capital. **Underwriter**—Van Alstyne, Noel & Co., New York.

★ Kirk's, Ltd.
Feb. 28 (letter of notification) 5,000 shares of common stock. **Price** — At par ($10 per share). **Proceeds** — For working capital. **Office**—554 Broadway, Bayonne, N. J., **Underwriter**—None.

★ Lock Thread Corp., Detroit, Mich.
Feb. 15 (letter of notification) 114,374 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital, etc. **Office**—2832 E. Grand Blvd., Detroit 11, Mich. **Underwriter**—None.

Lucky Lake Uranium, Inc., Salt Lake City, Utah
Feb. 9 (letter of notification) 8,000,000 shares of capital stock. **Price**—At par (two cents per share). **Proceeds**—For mining expenses. **Office**—201 Boston Building, Salt Lake City, Utah. **Underwriter**—Kastler Brokerage Co., same city.

Lucky Strike Uranium Corp.
Jan. 4 (letter of notification) 4,300,000 shares of common stock (par one cent). Price—Five cents per share. Proceeds—For mining operations. Office—38 South Main St., Salt Lake City, Utah. Underwriter—Seaboard Securities Corp., Washington, D. C.

Marble Canyon Uranium, Inc.
Feb. 4 (letter of notification) 20,900,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For mining operations. **Office**—587 — 11th Ave., Salt Lake City, Utah. **Underwriter**—Potter Investment Co., same city.

Marine Midland Corp., Buffalo, N. Y.
Feb. 15 filed 64,000 shares of common stock (par $5) to be offered in exchange for all of the outstanding stock of Bank of Gowanda at the rate of eight shares of Marine Midland common for each Bank of Gowanda share held of record March 4, 1955. **Underwriter**—None.

● Maryland Casualty Co., Baltimore, Md.
Feb. 3 filed 296,050 shares of common stock (par $1) being offered for subscription by common stockholders of record Feb. 24 on the basis of one new share for each six shares held; rights to expire March 10. **Price**—$40 per share. **Proceeds**—To retire 213,748 shares of $2.10 preferred stock at $52.50 per share; and for working capital. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane.

★ Mascot Mines, Inc., Kellogg, Ida.
Feb. 17 (letter of notification) 200,000 shares of common stock (par 35 cents). **Price**—75 cents per share. **Proceeds** —For mining expenses. **Underwriter**—Standard Securities Corp., Spokane, Wash.

★ Merchants Loan Co., Tucson, Ariz.
Feb. 21 (letter of notification) $250,000 of 8% convertible debentures. **Price**—At par (in denominations of $1,000 each.) **Proceeds**—For working capital. **Office**—1115 East Broadway, Tucson, Ariz. **Underwriter**—None.

● Merritt-Chapman & Scott Corp.
Dec. 21 filed 3,018,567 shares of common stock (par $12.50) being offered in exchange for outstanding stock of New York Shipbuilding Corp., Devoe & Raynolds Co., Inc., Newport Steel Corp., Marion Power Shovel Co., Osgood Co. and Tennessee Products & Chemical Corp. on the following basis: 675,549 shares to holders of the 540,439 outstanding shares of common stock (par $5) of Tennessee Products & Chemical Corp., at the rate of 1¼ shares for each share of common stock of Tennessee; 755,105 shares to holders of the 453,063 outstanding shares of class A stock (par $2) of Devoe & Raynolds Co., Inc. at the rate of 1⅔ shares for each share of class A stock of Devoe; 242,700 shares to holders of the 182,025 outstanding shares of class B common stock (par $1) of Devoe, at the rate of 1⅓ shares for each of class B common stock of Devoe; 1,290,252 shares to holders of the 1,290,252 outstanding shares of common stock (par $1) of New York Shipbuilding Corp., at the rate of one share for each share of common stock of N. Y. Shipbuilding; 27,907 shares to holders of the 58,605 outstanding shares of common stock (par $1) of Newport Steel Corp., not owned by Merritt, at the rate of one share for each 2.1 shares of common stock of Newport; 26,114 shares to holders of the 17,409 outstanding shares of common stock (par $10) of Marion Power Shovel Co., not owned by Merritt, at the rate of 1½ shares for each share of common stock of Marion; and 940 shares to holders of the 1,410 outstanding shares of class B common stock (without par value) of the Osgood Co., not owned by Merritt or Marion, at the rate of one share for each 1½ shares of class B common stock of Osgood. Offer will expire on March 14. **Dealer-Manager**—A. C. Allyn & Co., Inc. for Devoe & Raynolds exchange.

Mesa Petroleum Co., Inc., Wichita, Kans.
Feb. 9 (letter of notification) 75,000 shares of common stock (no par). **Price**—$4 per share. **Proceeds**—To complete wells already drilled on properties owned by company; and to drill additional wells. **Office**—503 Insurance Building, Wichita, Kans. **Underwriter**—Albert C. Schenkosky, same city.

Minnesota & Ontario Paper Co. (3/9)
Feb. 21 filed $14,000,000 of sinking fund debentures due 1975. **Price**—To be filed by amendment. **Proceeds**—To prepay 4% promissory notes due Oct. 1, 1966, and for general corporate purposes. **Underwriters**—Blyth & Co., Inc., New York and San Francisco; and Alex. Brown & Sons, Baltimore, Md.

Missouri Uranium Corp., Kansas City, Mo.
Jan. 24 filed 150,000 shares of preferred stock (par $5) and 150,000 shares of common stock (no par) to be offered in units of one share of each class of stock. **Price** —$5 per unit. **Proceeds**—For exploration and development, etc. **Underwriter**—Dale E. Klepinger & Associates, 203 W. Dartmouth, Kansas City, Mo.

★ Model Finance Service, Inc., Jackson, Mich.
Feb. 28 filed $600,000 of 6% subordinated debentures, with detachable common stock purchase warrants for a total of 18,000 shares of $1 par value common stock (a warrant for 30 shares for each $1,000 debenture) to be offered in units of a $500 debenture, plus a warrant for purchase of 15 shares of stock at $2 per share. **Price**—$500 per unit. **Proceeds**—For payment of certain notes. **Underwriter**—Paul C. Kimball & Co., Chicago, Ill.

Monte Cristo Uranium Corp., Moab, Utah
Oct. 5 (letter of notification) 3,000,000 shares of common stock (par one cent). Price—10 cents per share. Proceeds—For exploration and development expenses. Underwriter—James E. Reed Co., 139 North Virginia St., Reno, Nev.

Montezuma Uranium, Inc., Denver, Colo.
Jan. 5 (letter of notification) 3,000,000 shares of common stock (par five cents). Price—10 cents per share. Proceeds—For exploration and development operations. Office—Ernest and Cranmer Bldg., Denver, Colo. Underwriter—Investment Service Co., same city.

Mother Lode Uranium Co.
Jan. 28 (letter of notification) 10,000,000 shares of common stock. **Price**—At par (two cents per share). **Proceeds**—For mining operations. **Office**—470 South 13th East, Salt Lake City, Utah. **Underwriter**—M. C. Leonard and Associates, 602 Tribune Bldg., Salt Lake City, Utah.

● National Aviation Corp., New York (3/10)
Feb. 18 filed 111,618 shares of capital stock (par $5) to be offered for subscription by stockholders at rate of one new share for each four shares held as of record March 10; rights to expire on March 25. **Price**—To be supplied by amendment. **Proceeds** — For investment. **Underwriter**—None.

★ National Gypsum Co. (3/22)
Feb. 28 filed 464,325 shares of common stock (par $1) to be offered for subscription by common stockholders of record March 21, 1955 at the rate of one new share for each six shares held; rights to expire on April 4, 1955. **Price**—To be supplied by amendment. **Proceeds**—For capital expenditures and working capital. **Underwriters**—W. E. Hutton & Co. and Blyth & Co., Inc., both of New York.

★ New England Fund, Boston, Mass.
Feb. 28 filed (by amendment) 300,000 shares of beneficial interest in the Fund. **Price**—At market. **Proceeds**—For investment.

● New England Telephone & Telegraph Co.
Feb. 4 filed 511,205 shares of capital stock being offered for subscription by stockholders of record March 1, 1955 at the rate of one new share for each five shares held; rights to expire on March 31. **Price**—At par ($100 per share). **Proceeds**—To repay advances from American Telephone & Telegraph Co., the parent, which owns 1,769,035 shares (69.21%) of the outstanding stock. **Underwriter**—None.

New Pacific Coal & Oils, Ltd., Toronto, Canada
Dec. 28 (regulation "D") 275,000 shares of common stock (no par), of which 120,000 shares are to be offered in Canada and 155,000 shares in the United States. **Price**—55 cents per share. **Proceeds** — To selling stockholders. **Underwriter**—L. D. Friedman & Co., New York.

New Silver Belle Mining Co., Inc., Almira, Wash.
Sept. 8 (letter of notification) 500,000 shares of common stock (par two cents). **Price**—10 cents per share. **Proceeds**—For exploration and development costs. **Underwriters**—Percy Dale Lanphere and R. E. Nelson & Co., both of Spokane, Wash.

★ Nobles Engineering & Manufacturing Co.
Feb. 14 (letter of notification) 3,000 shares of common stock. **Price**—$25 per share. **Proceeds**—For working capital. **Office**—645 E. Seventh St., St. Paul, Minn. **Underwriter**—None.

● North American Television Productions, Inc. (3/8)
Feb. 3 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—For production of films, working capital, etc. **Business**—Production and distribution of motion pictures for television, theatrical, and non-theatrical exhibitions. **Office**—222 East 46th St., New York, N. Y. **Underwriters**—Milton D. Blauner & Co., Inc. and Baruch Brothers & Co., Inc., both of New York.

● Oklahoma Gas & Electric Co. (3/18)
Feb. 23 filed 331,643 shares of common stock (par $10) to be offered for subscription by common stockholders of record March 16 on the basis of one new share for each eight shares held. Employees will be given the right to subscribe for not exceeding 12,000 shares of any unsubscribed stock. Rights will expire on April 5. **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriter** — Merrill Lynch, Pierce, Fenner & Beane, New York.

★ Olympic Funding Corp.
Feb. 18 (letter of notification) 14,750 shares of 7% cumulative preferred stock. **Price**—At par ($20 per share). **Proceeds**—For working capital. **Office**—181-14 Hillside Ave., Jamaica, L. I., N. Y. **Underwriter**—Jay Lee Levine, President, same address.

Pacific Finance Corp. (3/14)
Feb. 21 filed $14,000,000 of 4½% capital debentures due 1967. **Price**—To be supplied by amendment. **Proceeds**—To redeem outstanding $9,000,000 5½% capital debentures due 1973. **Office** — Los Angeles, Calif. **Underwriters** — Blyth & Co., Inc., San Francisco and New York; and Hornblower & Weeks, New York.

Paramount Uranium Corp., Moab, Utah
Oct. 7 (letter of notification) 6,000,000 shares of capital stock. **Price**—At par (five cents per share). **Proceeds**—For mining expenses. **Office**—325 Main St., Moab, Utah. **Underwriter**—Van Blerkom & Co., Salt Lake City, Utah

Pay Day Uranium Co., Las Vegas, Nev.
Oct. 15 (letter of notification) 2,500,000 shares of capital stock (par two cents). **Price**—10 cents per share. **Proceeds**—For exploration and development costs. **Office**—230 Fremont St., Las Vegas, Nev. **Underwriter**—Allied Underwriter Co., the same city.

Petroleum Reserves, Inc., New York (3/10)
Feb. 14 filed $7,500,000 of 4% debentures due 1970, 100,000 shares of 5% preferred stock (par $25) and 1,000,000 shares of common stock (par 10 cents) to be offered in units of $750 principal amount of debentures, 10 shares of preferred stock and 100 shares of common stock. **Price**—To be supplied amendment. **Proceeds**—For acquisition of producing oil and gas properties. **Underwriter**—Smith, Barney & Co., New York.

★ Pittsburgh Consolidation Coal Co.
Feb. 23 filed $1,500,000 of participations in the company's Investment Plan for Salaried Employees and 30,000 shares of common stock (par $1) which may be purchased pursuant to the plan.

Porter-Cable Machine Co.
Jan. 27 (letter of notification) 24,000 shares of common stock (par $10) being offered for subscription by common stockholders of record Jan. 21 on the basis of one new share for each 7½ shares held. **Price**—To stockholders, $11.50 per share; to public, $12.50 per share. **Proceeds**—For working capital, etc. **Office**—Syracuse, N. Y. **Underwriters** — George D. B. Bonbright & Co., Rochester, N. Y.; William N. Pope, Inc., Syracuse, N. Y.; Doolittle & Co., Buffalo, N. Y.; and First Albany Corp., Albany, N. Y.

Public Service Electric & Gas Co.
Dec. 22 filed 250,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans and for construction program. **Underwriters**—Morgan Stanley & Co.; Drexel & Co.; and Glore, Forgan & Co. **Offering** — Temporarily delayed.

Pyramid Life Insurance Co., Charlotte, N. C.
Feb. 15 filed 250,000 shares of capital stock (par $1) to be offered for subscription by common stockholders of record March 1, 1955 on the basis of one new share for each three shares held. Any shares remaining unsubscribed 30 days following date of mailing of warrants will be disposed of through the company's executive committee. **Price**—$3.75 per share. **Proceeds**—To expand business. **Underwriter**—None.

Ranger Lake Uranium Mines, Ltd., Toronto, Canada
Dec. 30 (regulation "D") 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For general corporate purposes. **Underwriter**—James Anthony Securities Corp., New York.

● Rare Earth Mining Corp. of Canada, Ltd.
Nov. 18 amendment (Regulation "D") 242,850 shares of common stock. **Price**—$1 per share. **Proceeds** — For general corporate purposes. **Underwriter** — James Anthony Securities Co., New York. **Offering** — Expected in two or three weeks.

★ Remington Corp.
Feb. 24 (letter of notification) 8,000 shares of common stock (par $1). **Price** — At market (around $2.87½ to $3.37½ per share). **Proceeds**—To a selling stockholder. **Office**—Willey St., Auburn, N. Y.. **Underwriter**—None.

★ Ritter Finance Co., Inc., Syncote, Pa.
Feb. 24 filed 4,000 shares of 5½% cumulative preferred stock, third series (par $50) and 40,000 shares of class B common stock (par $1) to be offered in units of one preferred share and 10 class B shares. **Price**—$75 per unit. **Proceeds**—To reduce bank loans and for working capital. **Underwriter**—None.

Rowland Products, Inc., Berlin, Conn.
Jan. 28 (letter of notification) 5,727 shares of common stock being offered for subscription by stockholders of record Feb. 1, 1955 at the rate of one new share for each two shares held; rights to expire on March 4, 1955. **Price**—At par ($25 per share). **Proceeds** — For purchase of machinery and equipment. **Office**—Fairview Place, Berlin, Conn. **Underwriter**—None.

● Saaty Fuel Injector Corp., Providence, R. I.
Feb. 11 (letter of notification) 800 shares of common stock (par $1). **Price**—At market (estimated at $12 per share). **Proceeds** — For working capital. **Office**—1050 Broad St., Providence, R. I. **Underwriter**—d'Avigdor & Co., New York. No general offering planned.

St. Regis Paper Co., New York
Feb. 18 filed 24,381 shares of common stock (par $5) to be offered in exchange for common stock (par $1) of Michigan Molded Plastics, Inc. on the basis of one St. Regis share for each 5¼ shares of Michigan common stock of which there are 128,000 shares outstanding. **Underwriter**—None.

Salisbury Broadcasting Corp., Paxton, Mass.
Jan. 20 (letter of notification) $150,000 of 5% notes and 6,000 shares of common stock (par $1) to be offered first to stockholders in units of $1,000 of notes and 40 shares of stock. **Price**—$1,000 per unit. **Proceeds**—For working capital. **Office** — Asnebumskit, Paxton, Mass. **Underwriter** — Kinsley & Adams, 6 Norwich St., Worcester, Mass.

Samicol Uranium Corp., Santa Fe, N. M.
Sept. 14 filed 300,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For development and exploration expenses, etc. **Underwriters**—R. V Klein Co. and McGrath Securities Corp., both of New York.

San Miguel Uranium Mines, Inc.
Jan. 6 (letter of notification) 2,000,000 shares of common stock (par one cent). **Price**—15 cents per share. **Proceeds** — For mining operations. **Office** — Mineral Bldg., Grand Junction, Colo. **Underwriter** — Tellier & Co., Jersey City, N. J.

★ Selective Credit Corp., Seattle, Wash.
Feb. 1 (letter of notification) 50,000 shares of common stock. **Price** — $1 per share. **Proceeds** — For working capital, etc. **Office** — 1107 American Bldg., Seattle 4, Wash. **Underwriter**—None.

Shumway Uranium Mining Corp.
Jan. 28 (letter of notification) 200,000 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Office**—64 East 4th South St., Salt Lake City, Utah. **Underwriter**—Doxey Investment Co., same city.

Silver Pick Uranium, Inc., Reno, Nev.
Nov. 22 (letter of notification) 2,994,000 shares of common stock (par five cents). **Price**—10 cents per share **Proceeds**—For exploration and development costs. **Office**—211-206 N. Virginia Street, Reno, Nev. **Underwriter**—Western Securities Corp., Las Vegas, Nev.

Silver Reef Uranium Co., Salt Lake City, Utah
Jan. 17 (letter of notification) 3,000,000 shares of common stock (par five cents). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—130 South 13th East, Salt Lake City, Utah. **Underwriter**—Peters, Writer & Christensen, Inc., Denver, Colo.

Slick Rock Uranium Development Corp.
Oct. 8 (letter of notification) 2,900,000 shares of common stock (par five cents), including shares for option to underwriter and prior property owner to be amended **Price**—10 cents per share. **Proceeds**—For development and exploration expenses. **Office**—Newhouse Hotel, Salt Lake City, Utah. **Underwriter** — Van Blerkom & Co., same city.

● South Carolina Electric & Gas Co.
Feb. 2 filed 210,053 shares of common stock (par $4.50) being offered for subscription by common stockholders of record Feb. 24 on the basis of one new share for each 15 shares held (with an oversubscription privilege); rights to expire on March 10. **Price**—$17.50 per share. **Proceeds**—For new construction program and to furnish a portion of additional equity capital required by South Carolina Generating Co., a subsidiary. **Underwriter**—Kidder, Peabody & Co., New York.

Southeastern Public Service Co.
Jan. 24 (letter of notification) 28,000 shares of common stock (par 10 cents) being offered in exchange for Hamilton Gas Corp. capital stock (par $1) on the basis of 3½ Southeastern shares for each Hamilton share. This offer shall terminate when offer shall have been accepted by Hamilton stockholders owning not in excess of 8,000 shares of Hamilton stock. **Office**—70 Pine St., New York 5, N. Y. **Underwriter**—None.

Southern Nevada Power Co. (3/15)
Feb. 21 filed 75,000 shares of cumulative convertible preferred stock (par $20). **Price**—To be filed by amendment. **Proceeds** — For new construction. **Office** — Los Vegas, Nev. **Underwriters**—William R. Staats & Co., Los Angeles, Calif.; Hornblower & Weeks, New York; and First California Co., San Francisco, Calif.

★ Southern States Oil Co., Laurel, Miss.
Feb. 25 filed 250,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds**—For further exploration and development of properties, for drilling costs and for acquisition of interests in other oil companies. **Underwriter**—Gordon Graves & Co., Inc., New York.

● Southern Union Oils, Ltd. (3/15)
Feb. 16 filed 1,211,002 shares of common stock (par $1) of which 511,002 shares are to be offered for subscription by existing stockholders on a basis of one new share for each share held. **Price** — To stockholders, 50 cents per share; and to public, 60 cents per share. **Proceeds**—For exploratory and developmental expenses; for possible acquisition of additional oil and gas interests; and to meet current liabilities. **Office**—Toronto, Canada. **Underwriter**—Willis E. Burnside & Co., Inc., New York.

★ Standard Coil Products Co., Inc.
Feb. 16 (letter of notification) 875 shares of common stock (par $1). **Price**—At market. **Proceeds**—To selling stockholder. **Office**—2085 N. Hawthorne Avenue, Melrose Park, Ill. **Underwriter**—None.

Star Uranium Corp., Salt Lake City, Utah
Aug. 2 (letter of notification) 6,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds** — For exploration and development costs. **Underwriter**—Ned J. Bowman Co., Salt Lake City, Utah

Stardust, Inc., Reno, Nev.
July 9 filed 621,882 shares of preferred stock (par $10) and 621,882 shares of common stock (par one cent) to be offered in units of one share of each class of stock. **Price**—$10.01 per unit. **Proceeds**—For purchase of land and to construct and equip a luxury hotel. **Underwriter**—None.

★ Structural Fibres, Inc.
Feb. 14 (letter of notification) 2,915 shares of common stock. **Price**—$100 per share. **Proceeds**—For equipment. **Office**—1300 Krick Road, Bedford, Ohio. **Underwriter**—None.

● Sun Hotel, Inc., Las Vegas, Nev. (3/15)
Feb. 16 filed 760,000 shares of pfd. capital stk. (par $9.50) and 1,540,000 shares of common capital stock (par 25 cents), of which 680,000 shares of preferred and 1,360,000 shares are to be offered in units of one preferred and two common shares; the remaining 80,000 shares of preferred stock and 180,000 shares of common stock may be exchanged for properties. **Price**—$10 per unit. **Proceeds**—To purchase property; for construction of hotel; and for working capital. **Underwriter**—Coombs & Co., Salt Lake City, Utah.

★ Sunshine Park Racing Association, Inc. (Fla.)
Nov. 18 filed $700,000 of 6% convertible sinking fund debentures due 1966 and 70,000 shares of common stock (par 10 cents). **Price** — 100% and accrued interest for debentures and $2 per share for stock. **Proceeds**—To repay bank loans, for new construction and for working capital. **Underwriter**—Gulf-Atlantic, Inc., Tampa, Fla.

Swedes Uranium Corp., Salt Lake City, Utah
Jan. 5 (letter of notification) 2,500,000 shares of common stock (par three cents). **Price**—10 cents per share. **Proceeds**—For exploration and development expenses. **Office**—Newhouse Bldg., Salt Lake City, Utah. **Underwriter**—Guss & Mednick Co., same city.

Sytro Uranium Mining Co., Inc., Dallas, Texas
Sept. 9 (letter of notification) 2,975,000 shares of common stock (par five cents). **Price**—10 cents per share. **Proceeds**—For exploration and development of properties. **Office** — 1406 Life of America Building, Dallas, Texas. **Underwriter** — Western Securities Corp., Salt Lake City, Utah.

Tacony Uranium Corp., Denver, Colo.
Aug. 17 (letter of notification) 1,700,000 shares of common stock. **Price**—10 cents per share. **Proceeds**—For exploration and development expenses. **Office** — 317 Railway Exchange Building, Denver, Colo. **Underwriter**—E. I. Shelley Co., Denver, Colo.

Temple Mountain Uranium Co.
Oct. 7 (letter of notification) 3,500,000 shares of common stock (par 2½ cents). **Price** — 3 cents per share. **Proceeds**—For exploration and development expenses. **Office**—39 Exchange Place, Salt Lake City, Utah. **Underwriter**—Walter Sondrup, same city.

★ Texas Co., New York
Feb. 23 filed $7,500,000 of participations in the Employees Savings Plan and 79,365 shares of capital stock (par $25) which may be purchased pursuant to the plan.

● Texas Hydro Electric Corp. (3/4)
Feb. 16 (letter of notification) 56,000 shares of common stock (par $1) to be offered for subscription by stockholders on March 4 on basis of eight new shares for each five shares held; rights to expire March 14, 1955. **Price**—$2.35 per share to stockholders; $2.70 per share to public. **Proceeds**—To pay interest on bonds and de-

Continued on page 56

Continued from page 55

bentures, taxes, bank loan and insurance premium. Underwriter—Creston H. Funk & Co., San Antonio, Tex.

Texas International Sulphur Co.
June 21 filed 455,000 shares of common stock (par 10 cents), of which 385,000 shares are to be offered for subscription by common stockholders at the rate of one new share for each 4½ shares held; and 70,000 shares are for account of certain selling stockholders. Price—To be supplied by amendment. Proceeds—For exploration and drilling, and payment of bank loans and advances. Underwriter—Vickers Brothers, New York, on a "best efforts" basis.

● Texas Power Corp., Sequin, Texas (3/4)
Feb. 16 (letter of notification) 41,600 shares of common stock (par $1) to be offered for subscription by stockholders on March 4 on basis of one new share for each two shares held; rights to expire March 14, 1955. Price—$2.75 per share to stockholders; $3.15 per share to public. Proceeds—To pay off outstanding debts. Underwriter—Creton H. Funk & Co., San Antonio, Tex.

Texboard, Inc., Dallas, Texas
Jan. 17 filed $1,500,000 of 6% series A debentures due serially from Feb. 1, 1957 to Aug. 1, 1961, and $1,000,000 of 6% series B convertible debentures due serially from Feb. 1, 1962 to Aug. 1, 1966. Price—To be supplied by amendment. Proceds—To construct and operate a manufacturing plant near Orange, Tex., for the purpose of manufacturing insulation building products. Underwriter—Emerson Cook Co., Palm Beach, Fla.

Thunderbird Uranium Co., Reno, Nev.
Aug. 3 (letter of notification) 1,600,000 shares of common stock (par 10 cents). Price — 15 cents per share. Proceeds—For mining activities. Office—206 N. Virginia St., Reno, Neb. Underwriter—Stock, Inc., Salt Lake City.

Tip Top Uranium & Oil, Inc., Denver, Colo.
Feb. 1 (letter of notification) 30,000,000 shares of common stock. Price—At par (one cent per share). Proceeds—For mining expenses. Office—1122 Mile High Center, Denver 2, Colo. Underwriter—Robert W. Wilson, 1717 East Colfax Ave., Denver, Colo.

Trans-Continental Uranium Corp.
Oct. 1 (letter of notification) 2,990,000 shares of common stock. Price—At par (10 cents per share). Proceeds—For exploration and development costs. Office—358 S. 3rd St. East, Salt Lake City, Utah. Underwriter—Western Securities Corp., same city.

Uintah Uranium, Inc., Salt Lake City, Utah.
Oct. 5 (letter of notification) 15,000,000 shares of common stock (par one cent). Price—Two cents per share. Proceeds — For exploration and development costs. Office—424 Judge Bldg., Salt Lake City, Utah. Underwriter—James E. Reed Co., same city.

United Canadian Uranium Corp.
Feb. 7 (letter of notification) 1,188,000 shares of common stock (par one cent). Price—25 cents per share. Proceeds—For mining expenses. Office—701 Ernest and Cranmer Building, Denver 2, Colo. Underwriter—Carroll, Kirchner & Jaquith, Inc., same city.

United Uranium Corp., Denver, Colo.
Jan. 26 (letter of notification) 4,133,329 shares of common stock (par one cent), of which 2,133,329 shares are covered by an offer of rescission to 37 shareholders at three cents per share; and 2,000,000 shares are to be publicly offered at 10 cents per share. Proceeds—For mining expenses. Underwriter—John L. Donahue, 430 16th Street, Denver 2, Colo.

★ Universal Finance Corp., Dallas, Texas
Feb. 16 (letter of notification) 27,000 shares of 70-cent cumulative preferred stock (no par) and 27,000 shares of common stock (par 15 cents) to be offered in units of one share of each class of stock. Price—$11 per unit. Proceeds — For working capital. Underwriter — J. F. Perkins & Co., Dallas, Texas.

Universal Petroleum Exploration & Drilling Corp.
Oct. 4 (letter of notification) 300,000 shares of common stock. Price — At par ($1 per share). Proceeds — For cost of Driller Boy (drilling equipment which company rents out), and working capital. Office—c/o Edwin J. Dotson, attorney-at-law, Simon Bldg., 230 Fremont St., Las Vegas, Nev. Underwriter—Robert B. Fisher Investments, 510 South Fifth St., Las Vegas, Nev.

Uranium Discovery & Development Co., Wallace, Idaho
Nov. 16 (letter of notification) 1,000,000 shares of capital stock. Price—At par (five cents per share). Proceeds—For core drilling program upon two groups of claims. Address—Box 709, Wallace, Idaho. Underwriter—Wallace Brokerage Co., same city.

Utaco Uranium, Inc., Salt Lake City, Utah
Oct. 7 (letter of notification) 6,000,000 shares of common stock (par one cent). Price—Five cents per share. Proceeds—For exploration and development costs. Office—420 Felt Building, Salt Lake City, Utah. Underwriter—Western Securities Corp., Las Vegas, Nev.

Utah Apex Uranium Co.
Oct. 18 (letter of notification) 3,000,000 shares of capital stock (par three cents). Price—Six cents per share. Proceeds—For exploration and development expenses. Office—430 Judge Bldg., Salt Lake City, Utah. Underwriter—Mid-Continent Securities, Inc., same city.

Utah Uranium Corp., Las Vegas, Nev.
Aug. 20 (letter of notification) 10,000,000 shares of capital stock (par 1 cent). Price — Three cents per share. Proceeds—For exploration and development expenses. Office—1818 Beverly Way, Las Vegas, Nev. Underwriter—First Western Securities, same city.

Vada Uranium Corp., Ely, Nev.
Jan. 17 (letter of notification) 2,000,000 shares of common stock (par one cent). Price — 15 cents per share. Proceeds—For mining expenses. Office—280 Aultman St., Ely, Nev. Underwriter—Bristol Securities Co., Fall River, Mass.

★ Van Norman Co., Springfield, Mass. (3/23)
Feb. 28 filed 124,667 shares of common stock (par $2.50) and 10-year warrants to purchase 124,667 additional shares of common stock, to be offered for subscription by common stockholders in units of one share of common stock and one warrant for the purchase of one additional share for each three shares held about March 23, 1955 (for a 14-day standby). Price — To be supplied by amendment. Proceeds — To reduce bank loan and note held by insurance company, and for working capital. Underwriter — Paine, Webber, Jackson & Curtis, Boston and New York.

Vulcan-Uranium Mines, Inc., Wallace, Idaho
Oct. 15 (letter of notification) 1,500,000 shares of common stock. Price—At par (five cents per share). Proceeds—For expenses incident to mining operations. Address—P. O. Box 289, Wallace, Idaho. Underwriter—Alden J. Teske, d/b/a Wallace Brokerage Co., Samuels Hotel, Wallace, Idaho.

Washington Gas Light Co. (3/8)
Feb. 17 filed 126,349 shares of common stock (no par) to be offered for subscription by common stockholders of record March 7 at the rate of one new share for each eight shares held; rights to expire on March 23. Price—To be supplied by amendment. Proceeds—For additions and improvements to property. Underwriters—The First Boston Corp., New York; and Johnston, Lemon & Co., Washington, D. C.

● Webster Uranium Mines, Ltd., Toronto, Canada
Dec. 30 (regulation "D") 300,000 shares of common stock (par 10 cents). Price—$1 per share. Proceeds—For general corporate purposes. Underwriter—James Anthony Securities Corp., New York. Offering—Expected in two or three weeks.

★ Wellington Fund, Inc.
Feb. 23 filed 2,000,000 shares of common stock (par $1). Price—At market. Proceeds—For investment. Offices—Claymont, Del., and Philadelphia, Pa.

Wenga Copper Mines, Inc., N. Y.
Nov. 18 (Regulation "D") 900,000 shares of common stock (par five cents). Price—30 cents per share. Proceeds—For general corporate purposes. Underwriter—Willis E. Burnside & Co., New York.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20, 1952 filed $29,000,000 12-year 6% debentures due Dec. 15, 1964, and 580,000 shares of common stock (par 50 cents) to be offered in units of one $50 debenture and one share of stock. Price—To be supplied by amendment. Proceeds—From sale of units and 1,125,000 additional shares of common stock and private sales of $55,000,000 first mortgage bonds to be used to build a 1,030 mile crude oil pipeline. Underwriters — White, Weld & Co. and Union Securities Corp., both of New York. Offering—Postponed indefinitely.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20, 1952 filed 1,125,000 shares of common stock (par 50 cents). Price—To be supplied by amendment. Proceeds—Together with other funds, to be used to build pipeline. Underwriters—White, Weld & Co. and Union Securities Corp., both of New York. Offering—Postponed indefinitely.

Western Hills Inn, Fort Worth, Texas
Jan. 31 filed 200,000 shares of capital stock (no par). Price—$5 per share. Proceeds—Together with other funds, to construct, furnish and equip hotel to be built between Dallas and Fort Worth, Texas. Underwriter—Schwanz & Co., Inc., Aurora, Ill.

● Westport Properties Corp., Kansas City, Mo.
Jan. 27 filed 479,158 shares of common stock (par $1) being offered for subscription by stockholders of Chicago, Aurora & Elgin Ry. Co. at rate of one Westport share for each Chicago, Aurora & Elgin share held as of Feb. 15; rights to expire on March 4. Price — $2 per share. Proceeds—To repay bank loans and for working capital. Underwriter—George K. Baum & Co., Kansas City, Mo.

● White Canyon Mining Co. (3/15)
Feb. 4 filed 3,000,000 shares of common stock (par 33⅓ cents). Price—$1 per share. Proceeds—To repay loans and advances; for capital acquisitions; and for expenditures and working capital. Office — Dove Creek, Colo. Underwriters—Joseph McManus & Co., New York; and A. P. Kibbe & Co., Salt Lake City, Utah.

★ Wilton Corp., Las Vegas, Nev.
Feb. 11 (letter of notification) 48 shares of common stock (no par). Price—$2,412.90 per share. Office—425 Fremont Street, Las Vegas, Nev. Underwriter—None.

Winfield Mining Co., Moab, Utah.
Jan. 20 (letter of notification) 500,000 shares of common stock (par five cents). Price—20 cents per share. Proceeds—For mining expenses. Office—M. L. C. Bldg., P. O. Box 648, Moab, Utah. Underwriter—Security Uranium Service, K. O. V. O. Bldg., Provo, Utah.

Woman's Income Fund, Inc., Baltimore, Md.
Jan. 28 filed 500,000 shares of capital stock. Price—At market. Proceeds—For investment. Underwriter—Income Managers Inc., New York, which is under the direction of its President, Pierre A. DuVal, of DuVal's Consensus Inc.

Woodland Oil & Gas Co., Inc.
Dec. 21 (letter of notification) 299,900 shares of common stock (par 10 cents). Price—$1 per share. Proceeds—For equipment, drilling expenses and working capital. Office—42 Broadway, New York, N. Y. Underwriter—E. M. North Co., Inc., same address.

World Uranium Mining Corp.
July 21 (letter of notification) 9,996,000 shares of common stock (par one cent). Price — Three cents per share. Proceeds—For exploration and development expenses. Office—323 Newhouse bldg., Salt Lake City, Utah. Underwriter—P. G. Christopulos & Co., same city.

Wyoming Minerals Corp., Thermopolis, Wyo.
Feb. 16 (letter of notification) 250,000 shares of common stock. Price—$1 per share. Proceeds—To pay current bills and purchase equipment and supplies. Underwriter—H. P. Jesperson, 2111 Nicholas St., Omaha, Neb.

Wyoming Uranium Corp., Salt Lake City, Utah
Aug. 23 (letter of notification) 9,166,667 shares of common stock (par 1 cent). Price—Three cents per share. Proceeds—For exploration and development expenses. Underwriter—James E. Reed Co., Salt Lake City, Utah.

● Zapata Off-Shore Co., Houston, Texas
Feb. 14 filed 315,000 shares of common stock (par 50 cents.) Price—To be supplied by amendment (expected at $5.50 per share). Proceeds—For equipment and working capital. Underwriter—Underwood, Neuhaus & Co., Houston, Texas.

Zenith Uranium & Mining Corp.
July 12 (letter of notification) 300,000 shares of common stock (par one cent). Price—$1 per share. Proceeds—For mining operations. Underwriter—Sheehan & Co., Boston, Mass.

Prospective Offerings

Alabama Power Co. (5/31)
Dec. 30 it was announced company plans to issue and sell $15,000,000 first mortgage bonds due 1985. Proceeds—To repay bank loans and for construction program. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Union Securities Corp., Equitable Securities Corp. and Drexel & Co. (jointly); The First Boston Corp.; Lehman Brothers; Harriman Ripley & Co. Inc.; Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly). Bids—Expected to be received up to 11 a.m. (EST) on May 31. Registration—Scheduled for May 4.

American Telephone & Telegraph Co.
Feb. 16 directors voted to recommend to stockholders that they authorize a new issue of not to exceed $650,000,000 convertible debentures at their annual meeting to be held on April 20. When issued, each stockholder would receive rights to purchase the debentures in proportion to his holdings of stock (probably on the basis of $100 of debentures for each eight shares of stock held). Underwriter—None.

Arkansas Power & Light Co. (3/30)
Feb. 17 it was announced company plans to issue and sell 93,500 shares of cumulative preferred stock (par $100). Price—$105 per share. Proceeds—Together with other funds, to redeem 47,609 shares of $7 preferred stock and 45,891 shares of $6 preferred stock. Underwriter—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc. and Smith, Barney & Co. (jointly); Lehman Brothers; White, Weld & Co.; Equitable Securities Corp. and Union Securities Corp. (jointly). Bids—Expected to be received up to 11 a.m. (EST) on March 30. Registration—Scheduled for March 3.

Arkansas Power & Light Co. (3/30)
Feb. 17 company applied to the Arkansas P. S. Commission for authority to issue and sell $18,000,000 of first mortgage bonds due 1985. Proceeds—To redeem a like amount of 4¼% bonds due 1983. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Stone & Webster Securities Corp. (jointly); Blyth & Co., Inc. and Central Republic Co., Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Equitable Securities Corp. and Union Securities (jointly); White, Weld & Co.; The First Boston Corp. Bids — Expected to be received up to 11 a.m. (EST) on March 30. Registration — Scheduled March 3.

Atlantic Coast Line RR.
Feb. 7 directors approved a proposal to issue $13,474,000 of a new series of general mortgage 3½% bonds, series X, due Aug. 1, 2002. Purpose—To reimburse treasury, in part, for capital expenditures already made. Underwriter—None. Bonds are to be held in company's treasury subject to further order of the Interstate Commerce Commission. It is not proposed to sell or otherwise dispose of the series X bonds at this time, nor is it intended that these bonds will ever be issued as such, except possibly in pledge.

★ Atomic Development Mutual Fund, Inc.
Feb. 24 it was reported Fund plans early registration of about 1,000,000 shares of capital stock (par $1). Underwriter — Equitable Securities Corp., Nashville, Tenn. Registration—Expected March 4.

★ Augusta Newspapers, Inc., Augusta, Ga. (5/2)
Feb. 28 it was reported company may offer and sell about 550,000 shares of common stock and 359,000 shares of preferred stock. Price—About $11 per common share and $10 preferred share. Underwriter—Johnson, Lane, Space & Co., Savannah, Ga.

Baltimore & Ohio RR.
Feb. 10 company received ICC exemption from competitive bidding of up to $345,000,000 of new securities. Proceeds—For refunding. Underwriter—Feb. 16, Howard E. Simpson, President, announced Glore, Forgan & Co., Halsey, Stuart & Co. Inc. and Alex. Brown & Sons have been engaged to continue studies and formulate plans looking towards a simplification of the railroad's debt structure and a reduction in over-all interest costs.

Central of Georgia Ry. (3/9)
Bids will be received by the company up to noon (EST) on March 9 at office of J. P. Morgan & Co. Incorporated, 23 Wall St., New York 8, N. Y., for the purchase from it of $930,000 of equipment trust certificates, series A, to mature in 15 equal annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair & Co. Incorporated.

• Chicago Corp.
Feb. 14 it was announced company plans to offer to its common stockholders the right to subscribe for one new share of common stock for each five shares held. Stockholders will vote April 29 on increasing authorized common stock from 4,000,000 to 5,000,000 shares. **Price**—To be determined shortly before offering is made. **Proceeds**—For new construction and general corporate purposes. **Underwriter** — May be Glore, Forgan & Co., Chicago, Ill.

• Chicago, Rock Island & Pacific RR.
Jan. 11, J. D. Farrington, President, announced that the directors have authorized the issue and sale of not more than $65,000,000 of 40-year income debentures. **Proceeds**—To redeem its outstanding preferred stock (about 620,000 shares). **Underwriters** — The First Boston Corp.; Blyth & Co., Inc.; Glore, Forgan & Co.; and the Union Securities Corp. Exemption from the competitive bidding rule was received on Feb. 17. If all holders of preferred stock convert their shares into common stock on a share-for-share basis there will be no debenture sale.

★ Collins Radio Co. (3/29)
Feb. 21 it was reported company plans to issue and sell about 100,000 shares of convertible preferred stock (par $100). **Registration**—Tentatively scheduled for March 8. **Underwriter**—Kidder, Peabody & Co., New York.

• Colonial Trust Co., New York
Feb. 24 it was announced stockholders of record Feb. 25 would be offered the right to subscribe on or before March 17 for 20,000 additional shares of capital stock (par $25) at the rate of one new share for each two shares held. **Price**—$50 per share. **Proceeds**—To increase capital and surplus.

Commonwealth Edison Co.
Jan. 24, Willis Gale, Chairman, announced it should be Fall before the company undertakes its next financing. **Proceeds**—For new construction, which, it is estimated, will cost about $125,000,0000 in 1955. **Underwriters**—For last equity financing were The First Boston Corp. and Glore, Forgan & Co.

Consolidated Uranium Mines, Inc.
July 23 stockholders authorized the issuance and sale of not to exceed $6,000,000 convertible debenture bonds in connection with the acquisition of Uranium Mines of America, Inc. stock. Public offering of $2,000,000 bonds expected early in 1955. **Underwriter** — Tellier & Co., Jersey City, N. J.

Detroit Edison Co.
Jan. 21 it was announced stockholders on May 2 will vote on authorizing about $60,000,000 of convertible debentures. Previous offer of convertible debentures was made to stockholders without underwriting.

Doman Helicopters, Inc.
Feb. 17 Donald S. B. Waters, President, announced stockholders voted to increase authorized capital stock from 1,000,000 shares to 3,000,000 shares in anticipation of expansion of the company's activities. **Underwriter**—Previous financing handled by Greene & Co., New York.

ElectroData Corp., Pasadena, Calif.
Feb. 23 it was announced company plans to file a registration statement soon with the SEC for the sale of additional common stock to raise approximately $2,000,000 in new capital. **Proceeds** — For expansion and working capital. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

Florida Power Corp.
Dec. 31 it was reported company plans to offer to its stockholders about 232,000 additional shares of common stock on a 1-for-10 basis in May or June 1955. **Underwriters**: Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane.

★ Florida Power & Light Co.
Feb. 28 it was reported company plans in April to offer publicly 305,000 additional shares of common stock (no par). **Price**—To be named later. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Lehman Brothers and Blyth & Co., Inc. (jointly); Carl M. Loeb, Rhoades & Co.; Union Securities Corp.

★ Galveston-Houston Breweries, Inc., Galveston, Texas
Feb. 28 it was announced company plans to publicly offer 200,000 shares of its common stock to residents of Texas only. **Price**—$5 per share. **Proceeds**—For working capital. **Unlerwriter**—None.

General Finance Corp., Chicago, Ill.
Feb. 16 it was announced company contemplates that additional financing in the form of additional bank loans, subordinated debt and/or additional preferred stock will be effected in the coming year. With this thought in mind the directors have proposed an amendment to the charter to create additional shares of preferred stock, without par value. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston, Mass.

Georgia Power Co. (5/10)
Dec. 30 it was announced company plans to issue and sell $12,000,000 of first mortgage bonds due 1985. **Proceeds**—To retire bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Lehman Brothers; Union Securities Corp. and Equitable Securities Corp. (jointly); Morgan Stanley & Co.; Kuhn, Loeb & Co.; Shields & Co. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co. Inc.; Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly). **Bids**—Expected to be received up to 11 a.m. (EST) on May 10. **Registration**—Scheduled for April 13.

Gulf Cities Gas Corp.
Jan. 17, D. L. Alberty, Executive Vice-President, announced that the company will have another stock issue in the near future. **Proceeds**—For expansion. **Underwriter**—Eisele & King, Libaire, Stout & Co., New York, handled previous financing.

Hartford Gas Co.
Feb. 14 it was announced stockholders will vote March 16 on issuance and sale of $1,500,000 convertible debentures due 1965, first to preferred and common stockholders at rate of $25 principal amount of debentures for each three shares held. **Underwriter**—None. **Offering**—Expected in May or June, 1955.

★ Hartford Special Machinery Co.
Feb. 24 stockholders were to vote to increase the common stock by 25,000 shares to 62,500 shares (par $20), the additional stock probably to be offered to stockholders. **Underwriter**—None.

Horseshoe Bend Uranium, Inc.
Feb. 1 it was announced that company plans to issue and sell 150,000 shares of common stock. **Price**—$2 per share. **Proceeds**—For exploration and development expenses. **Underwriters**—James Anthony Securities Corp., New York; Lawrence A. Hays Co., Rochester, N. Y.; and Ned J. Bowman Co., Salt Lake City, Utah.

Illinois Central Telephone Co.
Jan. 26 it was reported company plans to sell in Illinois only, 15,000 shares of 5½% cumulative preferred stock (par $50). **Underwriter**—Central Republic Co. (Inc.), Chicago, Ill.

Industrial Raw Materials Corp., New York
Feb. 21 it was reported that offering of 125,000 shares of common stock is soon expected. **Proceeds**—To selling stockholders. **Office**—575 Madison Ave., New York 22, N. Y. **Underwriters**—Milton D. Blauner & Co.; Baruch Brothers & Co.; and Hallowell, Sulzberger & Co.

★ Iowa Public Service Co.
Feb. 28 directors authorized officers to sell 270,000 additional shares of common stock (par $5) to common stockholders on a pro rata basis. **Price**—To be named later. **Proceeds** — For construction program. **Underwriter** — None. **Offering**—No definite date has been set.

Jersey Central Power & Light Co.
Feb. 21 it was reported company plans to issue and sell $12,000,000 first mortgage bonds. **Proceeds** — To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blair & Co. Incorporated; Lehman Brothers; Union Securities Corp., Salomon Bros. & Hutzler and Merrill Lynch, Pierce, Fenner & Beane (jointly); White, Weld & Co.; Kidder, Peabody & Co. **Offering**—Expected before the end of June.

Jersey Central Power & Light Co.
Feb. 21 it was reported company plans to sell $5,000,000 of preferred stock. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Glore, Forgan & Co. **Offering** — Expected before July 1.

Keystone Wholesale Hardware Co., Atlanta, Ga.
Jan. 27 it was stated that the company plans at a later date to offer additional shares for sale nationally. An offering of 16,666 shares of common stock is presently being made to residents of Georgia only at $3 per share. **Office**—517 Stephens St., S.W., Atlanta, Ga.

Maine Central RR.
Feb. 19 the company asked ICC for authority to issue $1,700,000 of new 23-year first mortgage collateral bonds for sale without competitive bidding. **Proceeds**—To redeem approximately $1,400,000 of 5% first mortgage divisional bonds which were sold in 1952 through Blair & Co. Incorporated, New York, and Coffin & Burr, Inc., Boston, Mass.

• Maine Central RR.
Feb. 14, E. Spencer Miller, President, said company has not given up the idea of refunding the $17,000,000 5⅛% first mortgage and collateral trust bonds due 1978. Probable bidders for new bonds may include Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; W. C. Langley & Co.; Coffin & Burr, Inc.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Blyth & Co., Inc.; Glore, Forgan & Co.

Missouri Pacific RR.
Bids are expected to be received in March or April for $3,765,000 equipment trust certificates due 1956-1970. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Blair & Co. Incorporated; Kidder, Peabody & Co.

Missouri Public Service Co.
Feb. 14 it was reported company stockholders will vote March 12 on increasing common stock from 530,000 shares to 2,000,000 shares to provide for a 3-for-1 split-up, and additional stock for future issuance. **Underwriter**—May be Kidder, Peabody & Co., New York.

Murphy (G. C.) Co., McKeesport, Pa.
Feb. 8 it was announced stockholders will on April 12 vote on a proposal to increase the authorized limit of indebtedness from $3,000,000 to $20,000,000. **Proceeds**—For expansion program. **Underwriter** — Merrill Lynch, Pierce, Fenner & Beane, New York, handled preferred stock financing in 1942.

National Shares Corp.
Feb. 21 it was announced company plans to offer to its stockholders the right to subscribe for 360,000 shares of capital stock (par $1) on the basis of one new share for each two shares held. **Price** — To be determined later. **Proceeds**—For investment. **Underwriter**—Dominick & Dominick, New York. **Registration**—Planned for early in March.

North Penn Gas Co.
Dec. 17 it was announced 420,000 shares of common stock (par $5) will soon be offered to public. **Price**—To be named later. **Proceeds**—To The Post Publishing Co., publisher of The Boston Post. **Underwriter**—Eastman, Dillon & Co., New York.

★ Ohio Edison Co. (5/17)
Feb. 24 it was reported company plans issue and sale of $30,000,000 of first mortgage bonds due 1985. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Glore, Forgan & Co., White, Weld & Co. and Union Securities Corp. (jointly); The First Boston Corp. **Bids**—Expected to be received on May 17. **Registration**—Scheduled for April 26.

★ Oklahoma Gas & Electric Co.
Feb. 23 it was reported company plans to issue and sell $15,000,000 of first mortgage bonds in July. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Lehman Brothers and Blyth & Co., Inc. (jointly); The First Boston Corp.; Kuhn, Loeb & Co.; Harriman Ripley & Co. Inc. and Union Securities Corp. (jointly); Smith, Barney & Co.

Pacific Northwest Pipe Line Corp.
Feb. 11, Federal Power Commission approved the company's plan to offer publicly $17,220,000 of 6% interim notes due May 1, 1956 (convertible into preferred stock at maturity) and 287,000 shares of common stock (par $1) in units of $60 principal amount of notes and one share of stock. **Price**—$70 per unit. **Proceeds**—Together with other funds, to finance construction of a 1,400-mile natural gas pipe line between Ingancio, Colo., and Sumas, Wash., on the Canadian border. In addition, 1,549, 100 shares of common stock would be offered for subscription by present stockholders who already own 700,000 shares. **Underwriter**—White, Weld & Co.; Kidder, Peabody & Co.; Dominion Securities Corp.; Union Securities Corp. **Registration**—Expected early in March.

Pan American Sulphur Co.
Feb. 3 it was reported company is considering offer late in March of $4,500,000 subordinated convertible debentures (first to stockholders). **Underwriter**—Kuhn, Loeb & Co. and Carl M. Loeb, Rhoades & Co., both of New York. **Registration**—Expected early in March.

Pennsylvania Electric Co.
Feb. 15 it was reported company plans to issue and sell later this year $9,300,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co.; Kidder, Peabody & Co.; Equitable Securities Corp.; Harriman Ripley & Co., Inc.

Pennsylvania Electric Co.
Feb. 21 it was reported company proposes issuance and sale of $7,500,000 of preferred stock later this year. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Kuhn, Loeb & Co.; W. C. Langley & Co. and Glore, Forgan & Co. (jointly); Kidder, Peabody & Co.; The First Boston Corp.; Smith, Barney & Co.; Harriman Ripley & Co. Inc.

★ Public Service Co. of Indiana, Inc.
Feb. 28, it was announced company plans to offer to its common stockholders the right to subscribe for 202.431 shares of convertible cumulative preferred stock (par $100) on a 1-for 21 basis. Stockholders will vote on financing on April 4. **Price**—$105 per share. **Underwriter**—May be Blyth & Co., Inc., New York and San Francisco.

Public Service Co. of Oklahoma
Nov. 11 it was reported that company plans to issue and sell 100,000 shares of new preferred stock (par $100). **Underwriter**—To be determined by competitive bidding. Probable bidders: Harriman Ripley & Co. Inc. and Central Republic Co. Inc. (jointly); Smith, Barney & Co.; Kuhn, Loeb & Co.; Glore, Forgan & Co. **Offering**—Expected in April or May, 1955.

★ Radio Receptor Co., Inc.
Feb. 28 it was reported that a public offering is soon expected of about 250,000 shares of common stock, of which 100,000 shares will be sold for account of company and 150,000 shares for selling stockholders. **Underwriter**—Bache & Co., New York.

★ Savannah Electric & Power Co. (4/14)
Feb. 23 it was reported public offering is planned of 165,000 shares of common stock (65,000 shares for account of company and 100,000 shares for the Donner Estate. **Underwriters**—The First Boston Corp. and Stone & Webster Securities Corp., both of New York. **Registration**—Planned for March 17.

★ Southern California Gas Co.
Feb. 28 it was reported company plans to issue and sell $40,000,000 of first mortgage bonds. Application has been filed with California P. U. Commission for exemption from competitive bidding. Bids received on last sale of bonds were from Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; White, Weld & Co. and Union Securities Corp. (jointly); Lehman Brothers.

Southwestern Gas & Electric Co.
Jan. 17 it was reported company is planning to issue

Continued on page 58

Continued from page 57

and sell $6,000,000 of cumulative preferred stock (par $100). **Proceeds**—To prepay bank loans and for construction program. **Underwriters**—To be determined by competitive bididng. Probable bidders: White, Weld & Co. and Kidder, Peabody & Co. (jointly); Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly); W. C. Langley & Co.; Harriman Ripley & Co. Inc. **Offering**—Expected in April or May, 1955.

Storer Broadcasting Co.
Feb. 7 it was announced company plans to publicly offer 262,750 shares of common stock. **Proceeds**—To reduce long-term debt and to redeem 15,000 shares of 7% preferred stock (par $100). **Underwriter**—Reynolds & Co., New York.

★ Sundstrand Machine Tool Co., Rockford, Ill.
Feb. 23, Bruce F. Olson, President, said that early in March the company plans to file a registration statement with the SEC covering 108,885 additional shares of common stock (par $5), which are to be offered to common stockholders on the basis of one new share for each five shares held. **Price**—To be named later. **Proceeds**—For general corporate purposes. **Underwriters** — Merrill Lynch, Pierce, Fenner & Beane, New York; Bacon, Whipple & Co., Chicago, Ill.; Dean Witter & Co., San Francisco, Calif.

★ Transamerica Corp.
Feb. 25 F. N. Belgrano, Chairman and President, announced that company plans to offer publicly 1,346,800 shares of capital stock through an underwriting group. **Offering**—Planned for early in May.

Transcontinental Gas Pipe Line Corp. (4/1)
Nov. 24 Tom P. Walker, President, announced that the construction program for 1955 and replacement of bank borrowings made in 1954 wil require financing during 1955 of about $85,000,000. It is planned to offer publicly about April 1 $15,000,000 of preferred stock. About $50,000,000 of bonds will be sold later this year (may be done privately). **Underwriter**—White, Weld & Co. and Stone & Webster Securities Corp.

★ United Gas Corp.
Feb. 24, N. C. McGowen, President, announced that corporation plans to raise $35,000,000 to $40,000,000 in the first half of 1955 through the sale of additional common stock to stockholders. **Proceeds**—For construction program of company and of United Gas Pipe Line Co., a subsidiary. **Underwriter**—None.

★ United Gas Corp.
Feb. 24, N. C. McGowen, President, stated that company might be doing some debt financing, with this year's total financing program reaching about $50,000,000 (including about $35,000,000 to $40,000,000 of common stock). **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Morgan Stanley & Co.; White, Weld & Co. and Equitable Securities Corp. (jointly); Harriman Ripley & Co. Inc. and Goldman, Sachs & Co. (jointly).

Vanadium Queen Uranium Co.
Feb. 21 it was reported company plans to issue and sell 720,000 shares of common stock. **Price**—Expected to be $2.50 per share. **Underwriter**—Van Alstyne, Noel & Co., New York.

● Virgina Electric & Power Co. (6/7)
Feb. 19 it was reported company plans to issue and sell $25,000,000 of first mortgage bonds in the near future.. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp.; Stone & Webster Securities Corp.; Kuhn, Loeb & Co.; Salomon Bros. & Hutzler; White, Weld & Co.

● West Texas Utilities Co.
Feb. 28 company sought SEC authorization to issue $7,500,000 30-year first mortgage bonds (probably in May, 1955). **Proceeds**—To retire bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders; Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and Salomon Bros. & Hutzler; Merrill Lynch, Pierce, Fenner & Beane; Equitable Securities Corp.; Glore, Forgan & Co.; Kuhn, Loeb & Co. and Lehman Brothers (jointly); Kidder, Peabody & Co.; The First Boston Corp.

Western Auto Supply Co. (Mo.)
Jan. 12 it was announced that stockholders on March 15 will vote on approving a proposal to create an issue of 100,000 shares of preferred stock and $5,000,000 of bonded debt, and on increasing the authorized common stock from 1,335,000 shares to 2,500,000 shares. The company may raise about $10,000,000 through the sale of $5,000,000 preferred stock and $5,000,000 bonds to finance the purchase of 140 retail stores owned by Gamble-Skogmo, Inc. **Underwriter** — Merrill Lynch, Pierce Fenner & Beane, New York.

Westpan Hydrocarbon Co. (4/15)
Dec. 11 it was reported Sinclair Oil Corp. will ask for bids for 384,861 shares of Westpan stock about April 15, 1955, if it has not been able to dispose of these holdings before that date. **Underwriter**—Union Securities Corp., New York, underwrote recent sale of Sinclair's holdings of Colorado Interstate Gas Co. White, Weld & Co., New York, may be included among the bidders.

Our Reporter's Report

Ranking up with the largest of underwritings handled by the investment banking fraternity, today's offering of $250,000,000 of General Motors Acceptance Corp., debentures also promised to stand among the most sought after.

As the time for the opening of subscription books drew near, underwriters were convinced that they had more or less of an "out-the-window" operation on their hands.

These observations were based on the preliminary inquiries which developed in such volume that early success of the deal and closing of the books were accepted almost as foregone conclusion.

Segregated into two maturities, $50,000,000 due in five years, and the balance in 17 years, the debentures evidently carried wide appeal. The shorter-term, priced at par for a 3% coupon went out quickly and the longer debentures carrying a 3½% rate and priced at par were well-received.

The varied maturities undoubtedly proved an added attraction for institutional investors since this phase of the financing afforded them an opportunity for fitting the issues into their portfolios in many instances.

Naturally the credit rating of the issuer, which is the financing unit for General Motors Corp., ranks high among investors and the current record-breaking activities of the GM car building plants played its part in sweetening the market.

Quick Premium

Oil still carries a bit of magic for investors with a flair for a bit of added speculative flavor. This was proved again by the response which greeted Union Oil Co. of California's $60,000,000 of new 20-year convertible debentures.

Carrying a 3% coupon and brought out at par, the issue was reported commanding a premium of five points in when-issued trading over the counter. The relatively short maturity naturally proved an attraction.

But buyers evidently were willing to pay well over the offering price for the conversion privilege which is tantamount to a call on the stock, starting at $65 and moving up to $70 after March 1, 1970. The shares sell currently around 57.

Pacific Gas & Electric

Pacific Gas & Electric Co.'s $50,000,000 of 32-year first and refunding bonds, brought a top price of 100.937 for a 3⅜% interest rate from the successful bidder.

This was a full ¼ of 1% above the rate at which the company sold bonds last year. The bid of the runner-up, also for 3⅜s, was 100.81, with a third group offering 100.677.

The winning syndicate plans to reoffer the bonds at a price of 101.488 for an indicated yield of 3.30%. Proceeds will be used to refund $38,000,000 of bank loans and for financing construction.

New Capital Pool

Investment operations of pension funds have been a growing factor in the new issue market for some years now. But the real growth in this outlet has developed within the last few years and promises to continue apace.

Mortgage bankers were told the other day that the moneys in the hands of these institutions recently have been mounting at a rate in excess of the volume of new securities reaching market.

One figure presented, covering such funds of corporations, and the several labor unions put the potential at $11.5 billion, with the annual increment running about $1.5 billion. This source calculated that about $400 million a year goes into equities with the balance moving into government and corporate debt securities.

Not a One-Way Street

While this week brought successful flotation of an issue of $25,000,000 of 25-year 3¼% sinking fund debentures for May Dept. Stores Co. on a 3.25% yield basis, it was not quite as kind to several other issues recently brought to market.

Bankers who took down the $17,000,000 of Texas Electric Service Co., 3¼s and reoffered at 102.127 a week ago found the going slow and decided to let the issue find its level. Free market quotations put the bid at 101¼.

Meantime another syndicate which offered $10,000,000 of Rochester Gas & Electric 3⅜s at 102.772, also decided to let go.

Glatfelter Shares Underwritten by First Boston Group

P. H. Glatfelter Co. is today (March 3) offering holders of its common stock rights to subscribe for an additional 125,000 shares of its common stock, $10 par value, on the basis of one new share for each 1.76 shares held of record March 1, 1955. The subscription price is $37 per share, and rights expire at 3:30 p.m. (EST) on March 16, 1955.

A group headed by The First Boston Corp. will purchase any unsubscribed shares.

The First Boston Corp. also heads another group offering publicly today 40,000 shares of P. H. Glatfelter Co. 4⅝% cumulative preferred stock, series of 1955, $50 par value, at a price of $50 per share.

The preferred stock is callable initially at $52¼ per share.

Proceeds from today's offerings and from the private placement of $4,000,000 of first mortgage bonds will be used to finance completion of the company's plant development program expected to cost approximately $12,500,000. Major item will be the addition of a new high speed paper machine in a new building with finishing and loading facilities.

Bankers Offer Uranium Stock at $1 a Share

S. D. Fuller & Co. and Vermilye Brothers are publicly offering 298,400 shares of British Western America Uranium Corp. common stock at $1 per share.

The company, a Colorado corporation, will use the proceeds of the sale for the purchase of properties, claims and leases and for further exploration and drilling of properties and leases now held.

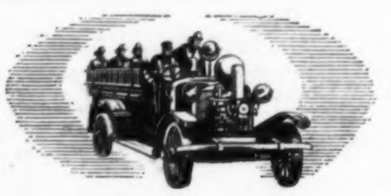
Organized to engage initially in the acquisition, exploration, mining and operation of uranium and other mineral properties in the states of Utah, Colorado and Wyoming, the company has, through mining contracts and purchase options, interests in a substantial number of properties in the three states.

With the completion of this sale the company will have 415,400 shares of common stock, 25-cent par value, outstanding along with 150,000 common stock purchase warrants. The public will own 72% of the company.

DIVIDEND NOTICES

THE SAFETY CAR HEATING AND LIGHTING COMPANY, INC.
DIVIDEND NO. 231
The Board of Directors has declared a dividend of 25¢ per share on the outstanding Capital Stock of the Company of the par value of $12.50 per share, payable April 1, 1955, to holders of record at the close of business March 14, 1955.
J. T. CULLEN, Treasurer
February 23, 1955

The Board of Directors of
PITTSBURGH CONSOLIDATION COAL COMPANY
at a meeting held today, declared a quarterly dividend of 75 cents per share on the Common Stock of the Company, payable on March 18, 1955, to shareholders of record at the close of business on March 11, 1955. Checks will be mailed.
CHARLES E. BEACHLEY, Secretary-Treasurer
February 28, 1955



NATIONAL UNION FIRE INSURANCE COMPANY
OF PITTSBURGH, PA.
133rd DIVIDEND DECLARATION
The Board of Directors of this company today declared a cash dividend of Fifty Cents (50¢) a share on the capital stock. This cash dividend will be paid March 31, 1955 to stockholders of record at the close of business March 10, 1955.
William MacLean
Vice President-Treasurer
March 1, 1955

DIVIDEND NOTICES

AMERICAN BANK NOTE COMPANY
Preferred Dividend No. 196
Common Dividend No. 186
A quarterly dividend of 75¢ per share (1½%) on the Preferred Stock for the quarter ending March 31, 1955 and a dividend of 25¢ per share on the Common Stock have been declared. Both dividends are payable April 1, 1955 to holders of record March 7, 1955. The stock transfer books will remain open.
E. F. PAGE, Secretary and Treasurer
February 23, 1955

INTERNATIONAL SHOE COMPANY
St. Louis
176TH CONSECUTIVE DIVIDEND
Common Stock
A quarterly dividend of 60c per share payable on April 1, 1955 to stockholders of record at the close of business March 15, 1955, was declared by the Board of Directors.
ANDREW W. JOHNSON
Vice-President and Treasurer
February 28, 1955

C.I.T. FINANCIAL CORPORATION
DIVIDEND NO. 131
A quarterly dividend of $0.50 per share in cash has been declared on the Common Stock of C. I. T. FINANCIAL CORPORATION, payable April 1, 1955, to stockholders of record at the close of business March 10, 1955. The transfer books will not close. Checks will be mailed.
C. JOHN KUHN, Treasurer
February 24, 1955

WANTED
Evans Stillman or Calvin Bullock Engine Model Issued in 1920's. Call Coffin & Burr, 70 Pine Street, New York City 5, WHitehall 3-9313.

DIVIDEND NOTICES

DIVIDEND NOTICES

DIVIDEND NOTICES

DIVIDEND NOTICES

DIVIDEND NOTICES

CSC

COMMERCIAL SOLVENTS
Corporation

DIVIDEND No. 81

A dividend of twenty-five cents (25c) per share has today been declared on the outstanding common stock of this Corporation, payable on March 31, 1955, to stockholders of record at the close of business on March 9, 1955.

A. R. BERGEN,
Secretary.

February 28, 1955.

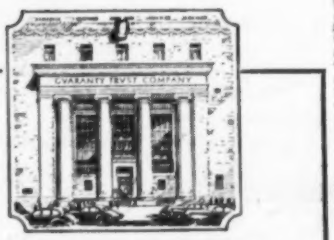
E. I. DU PONT DE NEMOURS & COMPANY

DU PONT

Wilmington, Del., February 21, 1955

The Board of Directors has declared this day regular quarterly dividends of \$1.12½ a share on the Preferred Stock—\$4.50 Series and 87½¢ a share on the Preferred Stock — \$3.50 Series, both payable April 25, 1955, to stockholders of record at the close of business on April 7, 1955; also \$1.25 a share on the Common Stock as the first quarterly interim dividend for 1955, payable March 14, 1955, to stockholders of record at the close of business on March 1, 1955.

P. S. DU PONT, 3RD, *Secretary*



New York, March 2, 1955.

The Board of Directors has this day declared a quarterly dividend of Eighty (80) Cents per share on the Capital Stock of this Company for the quarter ending March 31, 1955, payable on April 15, 1955, to stockholders of record at the close of business March 15, 1955.

STUART K. BARNES, *Secretary*

Guaranty Trust Company of New York

CANADA DRY

DIVIDEND NOTICE

The following dividends have been declared by the Board of Directors:

Preferred Stock

A regular quarterly dividend of \$1.0625 per share on the \$4.25 Cumulative Preferred Stock, payable April 1, 1955 to stockholders of record at the close of business on March 15, 1955.

Common Stock

A quarterly dividend of \$0.20 per share on the Common Stock, payable April 1, 1955 to stockholders of record at the close of business on March 15, 1955.

Transfer books will not be closed. Checks will be mailed. WM. J. WILLIAMS
Vice-President & Secretary

AMPHENOL

At a meeting of the Board of Directors of American Phenolic Corporation held today a dividend of twelve and one-half cents per share was declared, payable April 29, 1955, to the shareholders of record at the close of business April 15, 1955. The transfer books will not be closed.

Dated at Chicago February 28, 1955.
CARL V. WISNER, JR.
Secretary

ANACONDA

DIVIDEND NO. 187

February 24, 1955

The Board of Directors of Anaconda Copper Mining Company has today declared a dividend of Seventy-five Cents (\$.75) per share on its capital stock of the par value of \$50 per share, payable March 30, 1955, to stockholders of record at the close of business on March 7, 1955.

C. EARLE MORAN
Secretary and Treasurer
25 Broadway, New York 4, N. Y.

GD
GENERAL DYNAMICS

Stock Split-up Notice

A two-for-one stock split-up has been authorized to be effected in the form of a dividend on the Common Stock of the Corporation, payable on March 10, 1955 to share owners of record at the close of business February 23, 1955, at the rate of one share of Common Stock for each share of Common Stock held of record on said record date.

Dividend Notice

A quarterly dividend of \$1.10 per share (on the Common Stock outstanding prior to the stock split-up) has been declared on the Common Stock of the Corporation payable March 10, 1955 to share owners of record at the close of business February 23, 1955.

ALLEN D. MARSHALL, *Secretary*

New York, New York, January 27, 1955

GENERAL DYNAMICS
CORPORATION
445 Park Avenue, New York 22, New York

AMERICAN LOCOMOTIVE COMPANY

30 Church Street Alco New York 8, N. Y.

PREFERRED DIVIDEND No. 187
COMMON DIVIDEND No. 123

Dividends of one dollar seventy five cents (\$1.75) per share on the Preferred Stock and of twenty five cents (25¢) per share on the Common Stock of this Company have been declared, payable April 1, 1955, to holders of record at the close of business on March 11, 1955. Transfer books will not be closed.

CARL A. SUNDBERG
Secretary

February 23, 1955

AMM

AMERICAN MACHINE AND METALS, INC.

45th Dividend

THE QUARTERLY DIVIDEND RATE has been increased from TWENTY-FIVE CENTS to THIRTY-FIVE CENTS per share. A dividend distribution for the first quarter of this year will be made by check on March 31, 1955—to share owners of record March 15, 1955.

H. T. McMeekin, *Treasurer*

Minerals International Chemicals

INTERNATIONAL MINERALS & CHEMICAL CORPORATION

General Offices:
20 North Wacker Drive, Chicago 6

★

QUARTERLY DIVIDENDS

4% Cumulative Preferred Stock
52nd Consecutive Regular
Quarterly Dividend of
One Dollar (\$1.00) per Share

\$5.00 Par Value Common Stock
Forty Cents (40¢) per Share

Declared—Feb. 24, 1955
Record Date—Mar. 18, 1955
Payment Date—Mar. 30, 1955

A. R. Cahill
Vice President and Treasurer

★

Phosphate • Potash • Plant Foods
Chemicals • Industrial Minerals
Amino Products

BRILLO

MANUFACTURING COMPANY, INC.

DIVIDEND NO. 100

A Dividend No. 100 of Forty Cents (\$.40) on the Common Stock has been declared, payable April 1, 1955, to stockholders of record March 15, 1955.

M. B. LOEB, President

Brooklyn, N. Y.

MIAMI COPPER COMPANY

61 Broadway, New York 6, N. Y.
February 24, 1955.

A quarterly dividend of fifty (50c) cents per share has been declared payable March 29, 1955, to stockholders of record at the close of business March 9, 1955.

JOHN G. GREENBURGH,
Treasurer.

Dividend Notice

THE ARUNDEL CORPORATION BALTIMORE MARYLAND

The Board of Directors of the Arundel Corporation has this day (February 25, 1955) declared thirty-five cents per share as a quarterly dividend on the no par value stock of the corporation, issued and outstanding, payable on and after April 1, 1955, to the stockholders of record on the corporation's books at the close of business March 15, 1955.

MARSHALL G. NORRIS,
Secretary.

BENEFICIAL
LOAN CORPORATION

103rd CONSECUTIVE QUARTERLY CASH DIVIDEND

The Board of Directors has declared a quarterly cash dividend on the Common Stock at the rate of

\$.25 per share

The dividend is payable March 31, 1955 to stockholders of record at close of business March 15, 1955.

William E. Thompson
Secretary

March 1, 1955

OVER 850 OFFICES | Beneficial Loan SYSTEM | IN U. S. AND CANADA

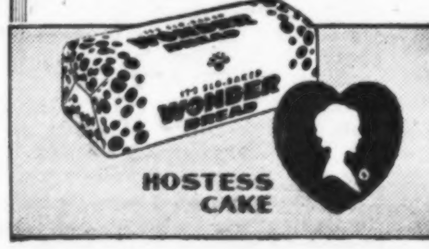
CONTINENTAL BAKING COMPANY

Preferred Dividend No. 65

The Board of Directors has declared this day a quarterly dividend of \$1.37½ per share on the outstanding \$5.50 dividend Preferred Stock, payable April 1, 1955, to stockholders of record at the close of business March 11, 1955, not previously called for redemption.

Common Dividend No. 40

The Board of Directors has declared this day a regular quarterly dividend, for the first quarter of the year 1955, of 45¢ per share on the outstanding Common Stock, payable April 1, 1955, to holders of record of such stock at the close of business March 11, 1955.



The stock transfer books will not be closed.

WILLIAM FISHER
TREASURER

February 21, 1955

Penn-Texas
CORPORATION

DIVIDEND NOTICE

The Board of Directors has today declared the regular quarterly dividend of twenty-five cents (\$.25) per share and an extra dividend of ten cents (\$.10) per share on the Capital Stock of the company. Both dividends are payable April 4, 1955 to stockholders of record March 14, 1955.

February 23, 1955

L. D. SILBERSTEIN, *President*

The American Tobacco Company
INCORPORATED

111 Fifth Avenue New York 3, N. Y.

202ND PREFERRED DIVIDEND

A quarterly dividend of 1½% (\$1.50 a share) has been declared upon the Preferred Stock of THE AMERICAN TOBACCO COMPANY, payable in cash on April 1, 1955, to stockholders of record at the close of business March 10, 1955. Checks will be mailed.

HARRY L. HILYARD, *Treasurer*

February 23, 1955

ROME CABLE
Corporation
ROME · NEW YORK

64th Consecutive Dividend

The Board of Directors of Rome Cable Corporation has declared consecutive Dividend No. 64 for 35 cents per share on the Common Capital Stock of the Corporation, payable March 31, 1955, to holders of record at the close of business on March 10, 1955.

GERARD A. WEISS, Secretary

Rome, N. Y., February 25, 1955

THE **West Penn**
Electric Company
(Incorporated)

Quarterly Dividend
on the
COMMON STOCK

30¢ PER SHARE

Payable March 31, 1955
Record Date Mar. 11, 1955
Declared March 2, 1955

WEST PENN ELECTRIC SYSTEM
Monongahela Power Company
The Potomac Edison Company
West Penn Power Company

BUSINESS BUZZ

"Oh, this business wasn't hard for me to learn—I've been traveling on the subway for years!"

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—There is one major sidelight to the fracas in the House last week-end narrowly passing the $20 per capita personal income tax cut, and that sidelight has broad implications for the future.

That sidelight is the indication it throws of the position of the hard core conservative Democrats on the Rules Committee. Those gentlemen are likely, in a word, to string along with Speaker Rayburn as far as they can possibly go, consistent with their definite conservative convictions, to hamstring one Dwight D. Eisenhower.

There are eight Democrats to four Republicans on the Rules Committee. However, there are two conservative Democrats on that committee who are thorough-going conservatives on practically all fiscal and economic matters. They are not just occasional conservatives who vote against such things as Harry Truman used to propose which affected or threatened to affect the social life of the South and encroach upon the power which Democratic state machines had in their bailiwicks, like the FEPC or the ennoblement and enhancement of the power of organized labor.

These two gentlemen are the Chairman, Judge Howard Smith of Virginia and his associate, William Colmer of Mississippi. These two men remain of a scant handful of thorough-going conservatives. Together with the four Republican members, these two could if they all worked as a team, guarantee to stop dead in its tracks any of the beautifully expensive and far-reaching "liberal" legislation which might come from either President Eisenhower or the top Democratic leadership of the House. If the Republicans would stay "hitched" with them to vote to clear the way for a pretty piece of legislation would be not more than six to six, a tie, so no rule.

Now at the beginning of the 84th Congress, Judge Smith and Bill Colmer are believed to have made known this possibility to such persons as would point it out to the four Republicans. Whether there was direct negotiation between the two Democrats and the four Republicans was not made known; at any rate it is not important for the two Democrats think they know where the Republicans will stand — they won't stay hitched to stop cockeyed legislation when it comes to the Eisenhower brand.

Worked for Rayburn

So in the instant case these two made possible a rule which was to the complete satisfaction of the Democratic Speaker.

In the first place the rule did in fact let the $20 per cap tax cut so dear to Rayburn come up for a vote. That is something which was generally missed in the dispatches. The two could have stopped the thing dead if they had desired to do so, and they did not desire to do so because they have become convinced that they cannot count upon their Republican colleagues on the Rules Committee to stop any cock-eyed legislation which may originate in the White House.

Second, the committee provided for a "separate vote" on the $20 per cap thing. The purpose of this provision was to make out an alibi in advance to Eisenhower's unsportsman-like bleat of "unfair" because, as has happened from time immemorial in Congress, the thing was attached as a rider to a "necessary" bill, a bill to continue the higher rates of corporation and excise taxation for one year.

Now as is always the case in these things there would have been a separate vote without such a provision in the rule. Since Eisenhower opposed the $20 per cap thing, it was as certain as that the sun will rise each morning, that even without a "separate vote." Rep. Dan Reed of New York, the top Republican on the Ways and Means Committee, would have been obliged at the final stage (as he did) to rise and make a motion to recommit the bill to take out the $20 per cap nonsense. The effect of this motion is always a separate roll call, as on the $20 per cap tax cut.

So the rule as granted by Judge Smith put the Democrats in the position of not in fact forcing the House to take this personal income tax cut as a means of also voting a "necessary" extension of higher rates of tax in other fields. As a means of actually bringing about a separate vote, however, the rule was as necessary as a second tail would be to one of those fine horses George Humphrey keeps on his farm down South.

That Judge Smith and Bill Colmer were doing their best for the leadership is best attested by the fact that on the roll call both voted their personal convictions against the $20 per cap gimmick. But if they had had solid word from the Republicans that the latter would stay hitched to oppose nonsense from whatever quarter it came, they could have stopped it from the start and left Sam Rayburn sputtering in indignation.

Won't Open Up

The fact that these conservatives backed Sam on the instant case does not mean, however, that they will as unquestioned men of principle back Rayburn up on everything; they will not go so far as to do violence to their convictions, but they will assist materially in making life unhappy for Dwight D. Eisenhower in no inconsiderable way.

Now the purpose of the $20 per cap thing was to give good little Democrats a chance to get on the record for the same; also it was to poke a little hole into the grand Eisenhower reputation, by making believe the Democrats are all for tax reduction for the peepul. The project started out strictly as a baby of the House Democratic leadership, and none of the Senate leaders was originally consulted. However, it clearly became one of those kind of things that had political eye appeal and offered an easy way of embarrassing the President.

Furthermore, 99% of the members of Congress even if the country still thinks Eisenhower is a budget-balancer, know very well that Eisenhower means only to limit the size of the deficit while engaging in extra-marital Federal finance, as it were, outside the budget and debt limit. Furthermore, Eisenhower is practically committed to tax relief in 1956 (the Democratic bill would have been effective in 1956) and that form of tax relief must be personal.

So therefore why should Eisenhower be so self-righteously holy about his honest intentions about the budget, the Democrats ask.

Lacks Aplomb

Now when this gimmick was thrown at Messrs. Humphrey and Eisenhower they got both officially and personally hot under the collar. George Humphrey has never been able to, or desirous of getting next to, Congressmen as people like himself. Nobody expected Eisenhower to do anything but oppose as a matter of principle. However, the feeling is that Eisenhower by getting as heated up as he did toward the House Democratic leadership paid a pretty high price for the inevitable defeat. There are limits to the amount of indulgence permited under the informal rules of the political game, for self-righteousness. The thinking at least among Democrats is that Eisenhower transgressed those limits.

This is deplored by some, especially since Ike has as a result to drop the dream-world pose of being the President of the Democrats as well as of the Republicans, so long as members of both parties are "progressive moderates." It doesn't make much sense to observers that Ike, in a grand gesture to appease Democrats who hate Dick Nixon, to send him packing on a prolonged junket to the little Latin Brothers, and then got himself the implacable enmity of such a smart and potent gent as Sam Rayburn, although they know it is just that Eisenhower just doesn't understand this game of politics.

UN Plans Agreement On Restrictive Trade Practices

It is the Chamber of Commerce of the U. S. which brought to light the fact that the United Nations Economic and Social Council is drafting an agreement to end "restrictive trade practices" within countries which interfere with the free flow of world trade. The agreement is now in the draft stage.

As set up the agreement would require every country to enforce its laws upon restrictive trade practices and report regularly on its enforcement to the UN.

On the other hand, the agreement would not in any way enforce or bring about any world-wide standards for doing away with restrictive trade practices. Furthermore, it would specifically exempt state trading, so that the totalitarian countries would have no inhibitions imposed upon them whatever.

Under such an agreement the Reds could continually raise ned about being discriminated against by the United States, but the U. S. could get no redress. It would also be true that in Britain, where "concerted action" by business to control markets and prices is common, that these could not be interfered with. Yet the agreement could give the British an opportunity to make innumerable complaints about alleged discrimination under U. S. law.

According to reports, however, the State Department does not now look kindly upon this weird instance of one-worldism, and will buck the same. However, the idea was originated by a former American representative on this council several years ago.

How to Get Government Money Back

In 1953 Congress, with the approval of the President, made the Farm Credit Administration an independent agency instead of a bureau of the Department of Agriculture. FCA institutions have a few hundred millions of Federal capital, and they also enjoy Federal income tax exemption as cooperatives.

So in creating them as an independent agency, Congress required the Farm Credit Board to submit a plan for the retirement by borrowing cooperative associations of the Federal capital in these institutions. These are the intermediate credit banks, and production credit corporations, and the banks for cooperatives.

The Farm Credit Board came up with a scheme. On the one hand, it would create a new class of earnings capital in which borrowers could invest. Next, the board would limit retirement of Federal capital to new purchases made by borrowers as they are required to make anyway as a condition to credit accommodation.

Third, the board proposed to skip retiring the Federal capital of the intermediate credit banks as just too hard on the wards of the Farm Credit Administration.

Finally, the board proposed that the Federal capital actually be not retired, but be kept in hand for possible further use later.

In other words, the "retirement" of Federal capital would be painless and non-existent. It remains to be seen what the Eisenhower Administration and Congress will say about this brilliant scheme.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

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